

BEFORE THE
ILLINOIS COMMERCE COMMISSION

CONSOLIDATED

3	HAMILTON COUNTY TELEPHONE CO-OP)DOCKET NOS.
)05-0644
4	Petition of Hamilton County Telephone)through
	Co-Op for Arbitration under the)05-0649,
5	Telecommunications Act to Establish)05-0657
	Terms and Conditions for Reciprocal)
6	Compensation with Verizon Wireless)
	and its Constituent Companies.)
7	-----)
	LAHARPE TELEPHONE COMPANY, INC.)
8)
	Petition of LaHarpe Telephone Company,)
9	Inc., for Arbitration under the)
	Telecommunications Act to Establish)
10	Terms and Conditions for Reciprocal)
	Compensation with Verizon Wireless)
11	and its Constituent Companies.)
	-----)
12	McDONOUGH TELEPHONE COOPERATIVE, INC.)
)
13	Petition of McDonough Telephone)
	Cooperative, Inc., for Arbitration under)
14	the Telecommunications Act to Establish)
	Terms and Conditions for Reciprocal)
15	Compensation with Verizon Wireless)
	and its Constituent Companies.)
16	-----)
	MID-CENTURY TELEPHONE COOPERATIVE, INC.)
17)
	Petition of Mid-Century Telephone)
18	Cooperative, Inc., for Arbitration under)
	the Telecommunications Act to Establish)
19	Terms and Conditions for Reciprocal)
	Compensation with Verizon Wireless)
20	and its Constituent Companies.)

BEFORE THE
ILLINOIS COMMERCE COMMISSION

METAMORA TELEPHONE COMPANY)

Petition of Metamora Telephone Company)
for Arbitration under the)
Telecommunications Act to Establish)
Terms and Conditions for Reciprocal)
Compensation with Verizon Wireless)
and its Constituent Companies.)

-----)
THE MARSEILLES TELEPHONE COMPANY)

Petition of The Marseilles Telephone)
Company for Arbitration under the)
Telecommunications Act to Establish)
Terms and Conditions for Reciprocal)
Compensation with Verizon Wireless)
and its Constituent Companies.)

-----)
GRAFTON TELEPHONE COMPANY)

Petition of Grafton Telephone Company)
for Arbitration under the)
Telecommunications Act to Establish)
Terms and Conditions for Reciprocal)
Compensation with Verizon Wireless)
and its Constituent Companies.)

Springfield, Illinois
December 13, 2005

Met, pursuant to notice, at 9:00 A.M.

BEFORE:

MR. STEPHEN YODER, Administrative Law Judge

SULLIVAN REPORTING COMPANY, by
Carla J. Boehl, Reporter
Ln. #084-002710

Sullivan Reporting Company
Two North LaSalle Street Chicago, Illinois 60602
(312) 782-4705

1 APPEARANCES:

2 JOSEPH D. MURPHY, ESQ.
3 MEYER CAPEL, P.C.
4 306 West Church Street
5 Champaign, Illinois 61826-6750
6 Ph. # (217) 352-1800
7 e-mail: jmurphy@meyercafel.com

8 (Appearing on behalf of Petitioners
9 Hamilton County Telephone Co-Op, LaHarpe
10 Telephone Company, Inc., McDonough
11 Telephone Cooperative, Inc., and
12 Mid-Century Telephone Cooperative, Inc.)

13 TROY A. FODOR, ESQ.
14 Law Office of Troy A. Fodor, P.C.
15 913 South Sixth Street
16 Springfield, Illinois 62703
17 Ph. # (217) 753-3925

18 (Appearing on behalf of Petitioners
19 Metamora Telephone Company, The Marseilles
20 Telephone Company and Grafton Telephone
21 Company)

22 PHILIP R. SCHENKENBERG, ESQ.
BRIGGS and MORGAN
2200 IDS Center
Minneapolis, Minnesota 55402
Ph. # (612) 977-8400
email: pschenkenberg@briggs.com

(Appearing on behalf of Verizon Wireless
and its Constituent Companies)

APPEARANCES:

(Continued)

MICHAEL J. LANNON, ESQ.
BRANDI BROWN, ESQ.
MICHAEL R. BOROVIK, ESQ.
Office of General Counsel
160 North LaSalle Street, Suite C-800
Chicago, Illinois 60601
Ph. # (312) 814-4368

(Appearing on behalf of Staff of the
Illinois Commerce Commission)

Sullivan Reporting Company

Two North LaSalle Street Chicago, Illinois 60602
(312) 782-4705

I N D E X

<u>WITNESSES</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>
JASON P. HENDRICKS				
By Mr. Murphy	31		113/119	
By Mr. Fodor	36		108	
By Mr. Schenkenberg		57		117
By Ms. Brown		103		
By Judge Yoder		106		
(Voir Dire)				
By Mr. Schenkenberg		38		
By Mr. Murphy	44			
JOHN L. CLAMPITT				
By Mr. Schenkenberg	122		137	
By Mr. Murphy		127		
By Mr. Lannon		137		
DON J. WOOD				
By Mr. Schenkenberg	139		190	
By Mr. Murphy		159		
By Mr. Fodor		167		195
By Mr. Lannon		177		
By Judge Yoder		198		
(Voir Dire)				
By Mr. Murphy		150		
GENIO STARANCZAK, PhD				
By Mr. Lannon	100			
By Mr. Murphy		204		
By Mr. Schenkenberg		210		
ROBERT F. KOCH				
By Mr. Borovik	218			
By Mr. Murphy		225		
By Mr. Schenkenberg		229		

I N D E XEXHIBITSMARKED ADMITTED

Petitioners 1 (Schedules JPH-1 through JPH-8)	e-Docket	33
Petitioners 2 (Schedules JPH-9 through JPH-23 (Schedule JPH-24)	e-Docket 120	56 120
Verizon Wireless 1	e-Docket	124
Verizon Wireless 2 (Schedules DJW-1 through DJW-9)	e-Docket	141
Verizon Wireless 3 (Schedules DJW-10, DJW-11 Amended, DJW-12, DJW-13)	e-Docket	143
Verizon Wireless 4 (Schedules JC-2, JC-3, JC-4)	e-Docket	126
Verizon Wireless 5	e-Docket	145
Verizon Wireless 6	137	155
Staff 1.0	e-Docket	204
Staff 2.0 (Schedule 1)	e-Docket 224	223 224

PROCEEDINGS

JUDGE YODER: By the authority vested in me by the Illinois Commerce Commission, I now call Dockets 05-0644 through and including 05-0649 and 05-0657. These are captioned Petition of Hamilton County Telephone Co-op, et al., for arbitration under the Telecommunications Act to establish terms and conditions for reciprocal compensation with Verizon Wireless companies.

Can I have the appearances for the record, please?

MR. MURPHY: On behalf of Petitioners Hamilton County, LaHarpe, McDonough and Mid-Century, Joseph D. Murphy, 306 West Church Street, Champaign, Illinois 61820.

MR. FODOR: On behalf of Petitioners Grafton Telephone Company, The Marseilles Telephone Company, and Metamora Telephone Company, my name is Troy A. Fodor. My business address is 913 South Sixth Street, Springfield, Illinois. The zipcode is 62703. And I am an attorney licensed to practice law in the state of Illinois.

1 MR. SCHENKENBERG: On behalf of Verizon
2 Wireless and its constituent companies which were
3 identified in the petitions in this case, my name is
4 Philip Schenkenberg from the law firm of Briggs and
5 Morgan, 2200 IDS Center, Minneapolis, Minnesota
6 55402.

7 MR. LANNON: And on behalf of the Staff of the
8 Illinois Commerce Commission, Michael Lannon,
9 L-A-N-N-O-N, Brandi Brown and Michael Borovik,
10 that's B-O-R-O-V-I-K, 160 North LaSalle Street,
11 Suite C-800, Chicago, Illinois 60601.

12 JUDGE YODER: Let the record reflect there
13 appear to be no other parties wishing to enter their
14 appearance in this docket.

15 Mr. Schenkenberg, my memory is deficient as
16 to whether we addressed the issue of you being
17 allowed to practice at a previous hearing. Has that
18 been addressed?

19 MR. SCHENKENBERG: Yes, Your Honor did approve
20 the motion.

21 JUDGE YODER: All right. Are we ready to
22 proceed then on the consolidated petitions?

1 MR. MURPHY: I believe we are.

2 JUDGE YODER: Mr. Murphy or Mr. Fodor, it
3 appears you are Petitioners.

4 MR. MURPHY: Yes. As we understand it, just to
5 set it up here, it is our expectation that we will
6 put on our single witness first who is Jason P.
7 Hendricks and then the Verizon Wireless will put on
8 its two witnesses and then Staff will put on its
9 witnesses.

10 Jason, do you want to take a seat right
11 there? There are -- just to tell you what I am
12 going to go through, there are two pieces of
13 testimony that verified statements have been filed
14 on the e-Docket. As verified statements I am not
15 sure they need to be admitted but as I know there is
16 an issue at least on the second one, I would propose
17 to set these up like I would regular testimony and
18 ask him if he would give these answers. I know he
19 has some corrections to make and he can point those
20 out.

21 JUDGE YODER: Oh, I understand. Will you
22 please raise your right hand?

1 (Whereupon the Witness was duly sworn
2 by Judge Yoder.)

3 JASON P. HENDRICKS

4 called as a Witness on behalf of Petitioners, having
5 been first duly sworn, was examined and testified as
6 follows:

7 DIRECT EXAMINATION

8 BY MR. MURPHY:

9 Q. Could you state your name and spell it for
10 the record, please.

11 A. Jason P. Hendricks, that's J-A-S-O-N, P,
12 H-E-N-D-R-I-C-K-S.

13 Q. And by whom are you employed?

14 A. GVNW Consulting.

15 Q. What is your capacity in these dockets?

16 A. I am a consultant for the Petitioners.

17 Q. You have in front of you what has been
18 marked when it was filed on the e-Docket as
19 Petitioners Exhibit Number 1 which consists of 39
20 pages of questions and answers on lines 1 through
21 878 and a series of schedules numbered 1 through 9
22 which are voluminous. Can you identify this

1 document?

2 A. Yes. It is my verified statement.

3 Q. And if I were to ask you the questions
4 posed in this document, would these be your answers?

5 A. Yes.

6 Q. Do you have any corrections to the document
7 as it sits in front of you?

8 A. No.

9 Q. And are the exhibits that are attached to
10 this that were filed with the e-Docket as 1 through
11 9 in fact the exhibits that you would have attached
12 to this if asked these questions?

13 A. Yes.

14 MR. MURPHY: Do you have any other foundational
15 questions?

16 MR. FODOR: No.

17 MR. MURPHY: With that I would move for the
18 admission of Petitioners Exhibit Number 1.

19 MR. SCHENKENBERG: I am sorry, may I just ask a
20 question? Is it 1 through 8 or 1 through 9 that is
21 attached to the Petitioner testimony?

22 MR. HENDRICKS: It is actually 1 through 8.

1 MR. SCHENKENBERG: I think you said 1 through
2 9.

3 MR. MURPHY: My mistake, it is 1 through 8.

4 MR. SCHENKENBERG: No objection.

5 JUDGE YODER: Off the record for a second.

6 (Whereupon there was
7 then had an
8 off-the-record
9 discussion.)

10 JUDGE YODER: All right. We can go back on the
11 record then. Without objection Petitioners Exhibit
12 Number 1, the verified statement of Jason P.
13 Hendricks and Schedules JPH-1 through 8 will be
14 admitted into evidence in this docket.

15 (Whereupon Petitioners
16 Exhibit 1 with
17 Schedules JPH-1 through
18 JPH-8 was admitted into
19 evidence.)

20 BY MR. MURPHY:

21 Q. Mr. Hendricks, I will now ask you to look
22 at the document that has been placed in front of you

1 that is marked Petitioners Exhibit Number 2. Can
2 you identify that document, please?

3 A. Yes, it is my supplemental verified
4 statement.

5 Q. And does it have attachments JPH-9 through
6 JPH-23 attached?

7 A. Yes.

8 Q. And is the testimony itself, does it
9 consist of 42 pages of questions and answers ending
10 on line 924?

11 A. Yes.

12 Q. And if I were to ask you these questions
13 today, would you give me these same answers?

14 A. Yes, I would.

15 Q. Let me direct your attention particularly
16 to page 25, lines 538 through 557. You reference
17 there a conversation with Jim Trier of Nortel. Do
18 you see what I am talking about?

19 A. Yes.

20 Q. And you mention there that there was --
21 that there was a statement that you expect to file
22 with your supplemental verified statement, is that

1 correct?

2 A. Yes.

3 Q. I am presenting to you and would ask to be
4 marked as Schedule JPH-24 for identification a
5 letter dated December 12 to Jason Hendricks from
6 David Jarzemsky. Is that the statement that you
7 referenced in your testimony?

8 A. Yes, it is.

9 MR. MURPHY: Do you have any other foundational
10 questions?

11 MR. FODOR: Yes.

12 MR. MURPHY: Let me ask one other question
13 before you get to that.

14 Q. First of all, are there any corrections to
15 your supplemental verified statement?

16 A. Yes, there are.

17 Q. Would you please identify them by page and
18 line number?

19 A. On page 22, line 473, after the word "size"
20 and before the semicolon, I would like to insert the
21 words "for Illinois rural carriers." So that if you
22 read the subpart of that sentence, it starts with

1 the number one, that entire part of it would say,
2 "It was derived from a larger sample size for
3 Illinois rural carriers."

4 Q. Are there any other corrections?

5 A. Yes, there are. On page 24, line 528, the
6 word "arbitration" should be "arbitrage."

7 Q. Are there any other corrections?

8 A. Yes, just one more. Page 33, line 724, the
9 part of the sentence that is after the number one, I
10 would like to replace the word "of" with the word
11 "for," F-O-R.

12 MR. MURPHY: And with that, because
13 Mr. Hendricks is presenting testimony on behalf of
14 both sets of Petitioners, I would like to turn it
15 over to Mr. Fodor for some additional direct.

16 MR. FODOR: I just think we need to point
17 out -- let me ask you the question.

18 DIRECT EXAMINATION

19 BY MR. FODOR:

20 Q. Are any of the schedules to your testimony
21 proprietary?

22 A. Yes.

1 Q. Can you identify which schedules have
2 proprietary and public versions? Would it be
3 helpful if I just ask you?

4 A. Yes, please.

5 Q. Is Schedule JPH-20 proprietary?

6 A. Yes.

7 Q. And to your knowledge was a blank cover
8 sheet submitted for the public document to stand in
9 place of this schedule?

10 A. Yes.

11 Q. Is Schedule JPH-21 proprietary?

12 A. Yes.

13 Q. And to your knowledge was there a blank
14 cover page that was submitted for the public record
15 for that item?

16 A. Yes.

17 Q. Is Schedule JPH-23 proprietary?

18 A. Yes.

19 Q. And to your knowledge was there a blank
20 cover sheet submitted for the record to stand in
21 place of this document in the public record?

22 A. Yes, there was.

1 Q. Is there any other proprietary material in
2 your rebuttal statement or supplemental statement,
3 whatever it is called?

4 A. In my supplemental verified statement, no,
5 there is not.

6 MR. FODOR: That's all I have, Your Honor.

7 MR. MURPHY: With that we would move the
8 admission of Petitioners Exhibit 2.

9 JUDGE YODER: With the accompanying schedules?

10 MR. MURPHY: With the accompanying schedules,
11 including JPH-24.

12 MR. SCHENKENBERG: Your Honor, as we discussed
13 off the record, Verizon Wireless does object to
14 portions of this testimony and schedules. Before I
15 make that objection and move to strike, may I voir
16 dire the witness for purposes of making this
17 objection?

18 JUDGE YODER: Yes.

19 VOIR DIRE

20 BY MR. SCHENKENBERG:

21 Q. Mr. Hendricks, can you turn to page 25 and
22 line 538 of your reply testimony, supplemental

1 verified statement?

2 A. Okay.

3 Q. When did this conversation occur that you
4 had with Mr. Trier?

5 A. I don't recall the exact date, but it was
6 some time after the Thanksgiving break.

7 Q. Was it in December or in November?

8 A. It will be either late November or early
9 December.

10 Q. Had you spoken to anybody else at Nortel
11 prior to that time?

12 A. Not at Nortel directly.

13 Q. And at the time that you spoke with
14 Mr. Trier you were provided the substance of what's
15 in this testimony?

16 A. Are you referencing Schedule JPH-24?

17 Q. Let me ask the question a little bit
18 differently. Did you have a subsequent conversation
19 or conversations with Mr. Trier after that first
20 one?

21 A. Yeah, I had a number of conversations after
22 that point.

1 Q. Can you turn to Schedule 17, JPH-17?

2 A. Okay.

3 Q. At what point did you make the decision
4 that you would support your testimony in this case
5 with 2004 central office investment numbers from
6 these petitioners?

7 A. I don't recall the exact date. That was
8 relatively early in the proceeding that I
9 anticipated doing that.

10 Q. And is the same true for the expense, the
11 expense factors, that are on JPH-18 and 19?

12 A. Again, I don't recall exactly when I made
13 that decision. Throughout the process I was
14 determining what we did have and didn't have. The
15 final decision wasn't made, you know, until right
16 before the verified statement. But the thoughts of
17 doing so were in my mind.

18 Q. And did you begin collecting that
19 information in November, for example?

20 A. Well, I don't recall exactly.

21 MR. SCHENKENBERG: Thank you, Your Honor. I
22 will proceed with our objection and motion. Verizon

1 Wireless moves to strike several portions of this
2 testimony. The first would be at page 15, line
3 538-557 and the accompanying letter from
4 Mr. Jarzemsky which -- and I am sorry, that was
5 marked as JPH-24.

6 A key part of this case, Your Honor, has
7 been the extent to which switching investment costs
8 are attributed to usage versus non-traffic
9 sensitive, and this was an issue that I raised with
10 Mr. Hendricks on September 30, prior to the
11 arbitration being filed, as an issue that we thought
12 was something that was an important consideration in
13 this case. They filed this case relying on default
14 inputs. We asked the Petitioners for the evidence
15 that they were relying on to support their position
16 on these inputs. They cannot provide anything to
17 support this.

18 We had a provision for reply testimony to
19 reply to Staff which was two days before the
20 hearing. And what we have here is supplemental
21 direct testimony. That should have been part of
22 their initial case if we want a complete part of

1 this case. That they didn't tell us before filing
2 this testimony on Friday afternoon. They didn't
3 supplement discovery as dispositive and we haven't
4 had a chance to investigate this.

5 This is hearsay. It is hearsay in the
6 testimony. The letter relies on documents that we
7 haven't been provided, documentation, technical
8 documentation, pricing levels that we don't have
9 access to, and we haven't had an opportunity to
10 prepare our case and respond to it this late in the
11 process of a case that has a short time frame. And
12 this is something that should have been part of the
13 initial case, at the very least supplemented 30 days
14 ago or 40 days ago.

15 The second category that Verizon Wireless
16 objects to are the 2004 actual cost data that are
17 found within page 5, lines 99 through 102, page 12,
18 lines 251 through 271, and Schedule 17 which are
19 2004 cost data for these Petitioners related to
20 switching investment. Again, this is supplemental
21 direct testimony. This is information that we have
22 never been told the Petitioners relied on to support

1 their switching investment numbers.

2 They rely in their direct case on the
3 testimony presented in the universal service case,
4 Mr. Schoonmaker's testimony, and apparently at some
5 point, as Mr. Hendricks said, earlier in the process
6 they were going to pull company-specific information
7 and rely on that response. They didn't provide that
8 information to us that they were going to rely on
9 that in discovery and again didn't give us a chance
10 to dig into these numbers and figure out how we
11 could respond to them.

12 Page 17, line 373, through page 18, line
13 396, and Schedule 19 relates to network operation
14 expense and it's the same issue as the 2004
15 switching investment data -- did I get that wrong?

16 MR. MURPHY: I am sorry. This was the first I
17 have heard of these. What lines are you talking
18 about?

19 MR. SCHENKENBERG: Page 17, 373, page 18, 396
20 is Mr. Hendricks' testimony which refers to Schedule
21 -- I guess that's wrong. 373, that's Schedule 19,
22 that's correct, so that testimony and Schedule

1 JPH-19 which relate to 2004 network operational
2 expenses for these individual Petitioners. Page 21,
3 line 454, to page 22, line 467, of Schedule 18
4 relates to expense factor and again the same issues,
5 the company-specific data that is being relied on
6 now that we hadn't had notice of that that was
7 relied on by Mr. Hendricks to support the inputs
8 data.

9 We ask Your Honor to strike those lines of
10 testimony and the associated exhibits from the
11 verified supplemental, or I am sorry, the
12 supplemental verified statement in this matter.

13 JUDGE YODER: Mr. Murphy or Mr. Fodor?

14 MR. MURPHY: Your Honor, may I conduct a short
15 amount of redirect voir dire of the witness?

16 JUDGE YODER: Sure.

17 VOIR DIRE

18 BY MR. MURPHY:

19 Q. Mr. Hendricks, I would ask you to look at
20 JPH-24, the letter from Nortel.

21 JUDGE YODER: Do you have a copy of that you
22 are submitting for the record?

1 MR. MURPHY: Yes, the witness took the one I
2 was handing you. Does anybody have --

3 MR. HENDRICKS: Here, I have one.

4 MR. MURPHY:

5 Q. And I would note for the record and I
6 neglected to say this on the record before, I am
7 expecting to receive a declaration that will state
8 this under penalty of perjury from the Nortel
9 signatory to this letter.

10 In any event, Mr. Hendricks, what was your
11 purpose for seeking out this information from
12 Nortel?

13 A. The purpose of this was to respond to the
14 arguments made by Verizon Wireless and Staff that we
15 hadn't supported the .7 default input value. We put
16 on the case using the default input value and the
17 support contained in my schedules on the input
18 portfolio from the HAI model. And Verizon Wireless
19 and Staff stated that they didn't think that that
20 was good enough. And so I sought this from Nortel
21 as a response.

22 Q. Was attaining this information from Nortel

1 your first plan for responding to the questions
2 raised by Verizon Wireless and Staff?

3 A. No, it wasn't.

4 Q. Can you describe briefly what your first
5 plan was?

6 A. My first plan was to use the switch
7 contracts that they received from Nortel and one
8 company actually has seen this as a switch vendor
9 using those contracts and obtain language from them
10 to support the contract fee of switch is applied on
11 a usage sensitive basis. Unfortunately, those
12 contracts don't contain explicit language within the
13 quote itself describing whether or not the switch is
14 usage sensitive or not. So it did not corroborate
15 or lead us to think that that input wasn't
16 appropriate or was not appropriate.

17 The second criteria was to use an RFP that
18 our Oregon office did relatively recently on switch
19 vendors and that was the evidence that was relied on
20 by Mr. Schoonmaker in Missouri, a case I reference
21 in my verified statement. In that case they relied
22 on this RFP that was performed and that essentially

1 showed that the switches are usage sensitive. But,
2 unfortunately, with that piece of evidence it has
3 proprietary information for companies that aren't
4 part of this case. And if we were to have filed
5 that, that would have required redacting a lot of
6 information that I thought might lead to questions
7 of how valid it really was, even though I think that
8 it is valid.

9 So generally it has been my opinion all
10 along the switch is all usage sensitive. That's
11 been the history throughout this industry for a
12 number of years, and I have been trying to get
13 evidence to support it. And finally it occurred to
14 me why not just call Nortel and talk to them, and
15 that's when I called them and I talked with
16 Mr. Trier and I asked if he would be willing to
17 support something through a letter. And it is my
18 understanding that this is an official Nortel
19 statement based on that question.

20 Q. And did Mr. Trier volunteer to give you
21 this letter with or without reference to any rules
22 in the company?

1 A. I am sorry, I don't understand.

2 Q. Okay. Is this Mr. Trier's unilateral work?

3 A. No, it is not.

4 Q. And did he to the best of your knowledge
5 seek or require to get Nortel Company approval to
6 have someone send this letter?

7 A. Yes, he did. The person who actually wrote
8 the letter, the way that I understand the process is
9 that something like this would not come out from
10 Nortel on an informal type basis. And the person
11 who did this has an official capacity to issue these
12 kinds of statements, and he had this approved by the
13 attorney and that's actually what caused the delay
14 in getting this filed. There was some back and
15 forth making sure that the attorney was comfortable
16 with the filing and the letter. And that actually
17 didn't occur until Monday because the attorney was
18 out of the office on Friday.

19 Q. Would it be fair to say that in your own
20 estimation you have diligently sought information to
21 corroborate your position since the beginning of
22 this docket?

1 A. Yes.

2 MR. MURPHY: I don't have any further redirect
3 voir dire. Do you have anything further before we
4 go on with the argument?

5 MR. FODOR: No.

6 MR. MURPHY: There are three different areas
7 that have been raised for the motion to strike and I
8 want to deal with the third one first because it has
9 one separate component.

10 The last two or three pieces of testimony
11 that Mr. Schenkenberg cited and that would be -- and
12 I am going backwards through my testimony -- page
13 21, lines 454 through 467, page 17, line 373 through
14 page 18, line 396, I am sorry, just those two, this
15 morning is the first time I have heard from
16 Mr. Schenkenberg that he had any intention or plan
17 to move to strike those. And therefore my first
18 argument is that he has had this testimony since
19 Friday. We have had several conversations and he
20 has not brought it up before. So it is a bit of a
21 surprise and I think an inappropriate surprise given
22 the other work that's being done.

1 Under all circumstances we are on a
2 compressed timeline and we are all trying to work
3 within that compressed timeline. The timeline
4 called for by the rules and was agreed to by the
5 parties and set by Your Honor called for verified
6 statements from the Petitioners on September 20 and
7 ultimately, according to the schedule agreed to,
8 called for supplemental verified statements to be
9 filed last Friday. We have followed that record or
10 we have followed that schedule.

11 Mr. Hendricks put out the substance of his
12 opinions on October 20. The parties have had a
13 chance to do discovery. The parties have done
14 actually discovery in excess of what the rules
15 allow, voluntarily, and Mr. Hendricks did his level
16 best to respond to the statement that was filed
17 first by the witnesses from Verizon Wireless and
18 then to the statements filed by Staff. That's what
19 responsive testimony does.

20 Issues were raised about elements of his
21 testimony and he went back into the record that was
22 available to him, both through discovery that had

1 been turned over to Verizon Wireless in regard to
2 the annual reports and the updated numbers, Verizon
3 Wireless and to Staff, and to every available
4 resource he had when he wanted to corroborate his
5 belief that switches are priced on a usage sensitive
6 basis.

7 In addition to that, with regard
8 specifically to the letter from Nortel and the
9 statements that he attributes to Mr. Trier, I would
10 also point out that this is exactly the sort of
11 testimony that an expert would normally rely on.
12 And in fact on review of Mr. Wood's own verified
13 statement you find that he has, and relies on the
14 fact, that he has seen switch contracts from Tier 1
15 companies -- and by Tier 1, I mean RBOCs, SBC,
16 Verizon companies that are far larger than the
17 companies at issue here -- and drawing conclusions
18 on the basis of the contracts as to how they were
19 priced, and that is the basis for his testimony.

20 Mr. Hendricks has done exactly the same
21 thing, only he has actually gone farther. He has
22 not only looked at the contract, he has consulted

1 with the switch vendor. And you will see in his
2 testimony at page 20 -- I need some help, where you
3 explain how experts -- yes, I am sorry, page 25,
4 footnote 6, that this is exactly the sort of
5 testimony that experts rely on in interviews with
6 the switch vendor as to how switches are priced.

7 And for that reason I believe that while we
8 are on a compressed schedule and we are all doing
9 this on the run, we are doing it as timely as
10 possible. It was done as timely as possible, and I
11 believe that the conversation that was recited with
12 Mr. Trier and the letter that corroborates that and
13 will be supported by a declaration is admissible
14 evidence, is the sort of thing that an expert would
15 rely on to determine how switches are priced.

16 I guess I would also cite to the rule of
17 evidence that this Commission uses, 200.6107(c)
18 where it points out that evidence not admissible
19 under the rules of evidence applicable in civil
20 courts may be admitted if it is of a type commonly
21 relied upon by persons in the conduct of their
22 affairs. I believe that footnote 6 in

1 Mr. Hendricks' testimony substantiates that this is
2 exactly that kind of evidence. I am done.

3 JUDGE YODER: Anything, Mr. Fodor?

4 MR. FODOR: I think I probably should add -- I
5 apologize, I didn't keep up very well, some of the
6 other objections that Mr. Schiffman made that I don't
7 think we --

8 JUDGE YODER: This is Mr. Schenkenberg.
9 Schiffman was Sprint.

10 MR. SCHENKENBERG: I have been called worse.

11 MR. FODOR: Sorry. I was with him a half hour
12 ago. I apologize.

13 I believe that there were some portions of
14 the testimony that he sought to strike that were
15 based on some 2004 data. I didn't hear counsel say
16 that the stuff was not provided in discovery. What
17 I think I heard him say is that when he was
18 negotiating with our witness, he identified this
19 issue. I take issue with that because if
20 Mr. Schenkenberg is going to testify to Your Honor,
21 he needs to relinquish his role as counsel and he
22 needs to take an oath, just like Mr. Hendricks did.

1 As Mr. Murphy stated, the testimony that
2 Mr. Hendricks is sponsoring is responsive. It is
3 responsive with current data. The data was provided
4 in response to discovery requests.
5 Mr. Schenkenberg's clients have had it for as much
6 time as humanly possible, and I believe that all of
7 his motions and objections should be denied. Thank
8 you.

9 JUDGE YODER: Anything else, Mr. Schenkenberg?

10 MR. SCHENKENBERG: Yes, Your Honor. It is true
11 that the expense factor testimony, I had not
12 identified that before this morning, given when we
13 got this and travel, I didn't have time to make a
14 timely objection under the rules. The 2004 switch
15 data is information I did raise with counsel
16 yesterday and what I said was I don't know whether
17 or not I need to object to this because I can't talk
18 to my witness until he gets in town. So I at least
19 identified that piece yesterday.

20 Responding to Mr. Fodor, it is fairly
21 common for attorneys to put in declarations on
22 motions, discovery motions. I think if Mr. Murphy

1 can say I haven't heard about this before today, I
2 can say I raised this with the Petitioners well
3 before this was filed just to point out that this
4 was an issue that they knew we were going to
5 litigate and that if they wanted to make this
6 argument in the direct case, they should have done
7 so.

8 The last thing I will say is the
9 information -- I believe what Mr. Hendricks'
10 testimony says is the information that's within this
11 2004 data was provided to Verizon Wireless in
12 discovery. I think what that means is all of these
13 numbers can be found in the annual reports that were
14 produced in discovery that are many, many, many
15 pages long. They weren't provided in this form and
16 they weren't identified as numbers that the
17 Petitioners were going to be relying on to support
18 this. So I just wanted to clarify that part.

19 JUDGE YODER: Okay. Well, I am going to allow
20 Petitioners 2, supplemental verified statement as
21 corrected along with the Schedules JPH-9 through 23
22 into evidence over objection, the objection of the

1 parts that Mr. Schenkenberg requested be stricken.
2 I will allow JPH-24 into evidence subject to the
3 verification being provided hopefully later today.

4 MR. MURPHY: Thank you, Your Honor.

5 (Whereupon Petitioners
6 Exhibit 2 with
7 Schedules JPH-9 through
8 JPH-23 was admitted
9 into evidence.)

10 MR. SCHENKENBERG: Your Honor, may we elicit
11 some brief oral testimony responding to the JPH-24
12 document from Mr. Wood, when we put him on the
13 stand?

14 JUDGE YODER: Yeah, I don't have any problem
15 with that, considering this was just filed today.
16 Yes.

17 You tender Mr. Hendricks?

18 MR. MURPHY: I am tendering Mr. Hendricks for
19 cross examination.

20 Off the record.

21 (Whereupon there was
22 then had an

1 off-the-record

2 discussion.)

3 JUDGE YODER: I guess we are back on the
4 record.

5 CROSS EXAMINATION

6 BY MR. SCHENKENBERG:

7 Q. Good morning, Mr. Hendricks.

8 A. Good morning.

9 Q. Mr. Hendricks, you have given testimony
10 about reciprocal compensation rates in this case.
11 Do you agree that what the Commission is looking to
12 price in this case are the functions of transport
13 and termination?

14 A. Yes, with the caveat that we have an
15 additional element in HAI that we have included as
16 part of that transport termination.

17 Q. And that is SS7?

18 A. Yes.

19 Q. I7?

20 A. Yeah.

21 Q. And you agree with Mr. Clampitt's testimony
22 that when Verizon Wireless delivers a call to be

1 terminated on one of the Petitioner's networks, that
2 that will require the Petitioner to pick up that
3 call at the meet point with the tandem provider,
4 deliver it to a host or a remote, if necessary, and
5 then terminate that call to the end user?

6 A. Yes.

7 Q. And do you agree that even though the loop
8 is used in that process, that loop costs are not
9 recoverable in reciprocal compensation rates?

10 A. I agree with that.

11 Q. Do you agree that the Commission is
12 obligated to set reciprocal compensation rates under
13 the standards set forth in Section 252(d)(2) of the
14 Telecommunications Act?

15 A. I believe that's so.

16 Q. And do you agree that the FCC pricing rules
17 direct the transport and termination rates be set
18 using the FCC's TELRIC methodology?

19 A. I just want to make sure I am answering you
20 correctly. Can you repeat that again?

21 Q. Sure. Do you agree that the FCC's pricing
22 rules direct the state commissions to set transport

1 and termination rates using the FCC's TELRIC
2 methodology?

3 A. Yes. They do have three options for the
4 pricing which I talk about in my testimony. They
5 are Bill and Keep, Proxy or the third one which is
6 Cost-based which is the TELRIC methodology you are
7 talking about.

8 Q. And if rates are set using a cost study,
9 that has to be a cost study that complies with
10 TELRIC methodology?

11 A. Yes.

12 Q. Do you agree that each of your clients
13 bears the burden of proof in this case to
14 demonstrate costs that do not exceed the
15 forward-looking costs of transport and termination?

16 A. I would agree that they have the initial
17 burden of proof.

18 Q. And you have testified in your testimony
19 about you have used the term "reasonable" in terms
20 of the Commission coming up to a reasonable
21 approximation, I believe, of those forward-looking
22 costs; is that a fair characterization of your

1 testimony?

2 A. I believe so.

3 Q. Do you have any bounds on what you consider
4 to be reasonable? How close do we need to be to be
5 reasonable?

6 A. I don't have an exact number in mind, but I
7 think that the methodology that I use falls within
8 that.

9 Q. And if we were within -- I am sorry, were
10 you finished?

11 A. Yes.

12 Q. If we are within ten percent, is that
13 reasonable?

14 A. Yeah, I can't give an exact number on what
15 it would be.

16 Q. And do you have any opinion as to whether
17 or not once we get beyond a certain point we are no
18 longer reasonable? If the rate was twice what it
19 would be under a forward-looking methodology or half
20 of what it would be, is that unreasonable?

21 A. And to be clear, the rate you are talking
22 about is the rate that resulted from the study or

1 the cost resulted from a study twice as high as the
2 rate?

3 Q. If the Commission were to set a rate and
4 that rate was twice what the forward-looking cost
5 was, would that be a reasonable approximation of the
6 rate -- I am sorry, of the cost? Would that be a
7 reasonable approximation of the forward-looking
8 costs?

9 A. No, not necessarily.

10 Q. Could it be?

11 A. Well, we are talking about the third option
12 where you are actually setting the price based on a
13 study, not a proxy.

14 Q. I am talking about Section 252 which talks
15 about a reasonable approximation of forward-looking
16 costs -- or I am sorry, the reasonable approximation
17 of the costs in transporting and terminating
18 traffic.

19 A. It is hard to say, but it doesn't sound
20 like it would be reasonable. That's not what our
21 proposal is. So it is subjective. I am speculating
22 on what that situation would be. It is a

1 hypothetical.

2 Q. Okay. You understand that each of these
3 cases was filed as a separate case?

4 A. Yes.

5 Q. And is it your understanding under the Act
6 that each company's costs would need to be
7 determined in order to set a rate for each company
8 under the Act?

9 A. I don't believe that it is inconsistent
10 with the Act for one rate to be set for all these
11 companies.

12 Q. Would the Commission have to make a
13 determination that each of these companies was
14 similarly situated?

15 A. In my testimony I refer to that as being
16 discussed in briefs. The reason why I did that is
17 because it gets into some legal interpretation I am
18 not comfortable making.

19 Q. So as we sit here today you are proposing
20 for each of the companies a rate of approximately
21 2.8 cents, is that correct?

22 A. Yeah, I am proposing one rate be set for

1 all the companies and that rate would be .028535 as
2 shown on Schedule JPH-9.

3 Q. And that's on Schedule JPH-9, you said
4 that?

5 A. Yeah.

6 Q. If we look at that and, for example, you
7 are proposing that the rate for LaHarpe be .028535,
8 even though the model produces in your run a rate of
9 .04963?

10 A. Yes.

11 Q. And similarly for sales which you report
12 having an HAI number of under two cents, you are
13 recommending a rate of 2.8 cents?

14 A. Yes.

15 Q. And is it your testimony that Marseilles
16 and LaHarpe are similarly situated?

17 A. I think from a reasonableness perspective,
18 yes, they are similarly situated. Marseilles has
19 one exchange; LaHarpe has two. They typically
20 employ the same type of network architecture, have
21 the same kind of personnel and so forth. So it
22 could be stated that they are reasonably situated.

1 Q. And is that your opinion with regard to all
2 of the companies here?

3 A. Yes, I believe so. They all fall within
4 the slightly less than a thousand up to a little
5 more than 4,000 access lines. They also have rural
6 areas in Illinois. So I think so, yes.

7 Q. If these companies are similarly situated,
8 isn't there a real problem with that LaHarpe rate
9 being so much higher than the others?

10 A. Not necessarily.

11 Q. So you think that these companies could be
12 similarly situated and yet a forward-looking model
13 could produce numbers that are dramatically
14 different for each one?

15 A. Well, they have different characteristics.
16 As far as, for example, LaHarpe, and I am just going
17 by memory here, is, I believe, 1,000 lines? I don't
18 know. But they have fewer lines than Marseilles.
19 So they would tend to have fewer minutes. They are
20 in a -- Marseilles is up in the Chicago LATA. There
21 may be some different characteristics as far as soil
22 types and so forth of how the model calculates

1 costs. So, yes, they are similarly situated but
2 there are individual differences that would cause
3 the results shown to vary the way that they do.

4 Q. Okay. Thank you. Your initial proposal in
5 your supplement, I am sorry, in your verified
6 statement that was initially filed was that the
7 Commission should set a rate of .036 because it was
8 lower than several benchmarks that you describe. Is
9 it still your position that the Commission can set a
10 rate that is lower than a benchmark and have that
11 comply with the requirements of the Act?

12 A. That's not my proposal any more. My
13 proposal at the time would probably fall under the
14 proxy methodology of the rules, and I think that I
15 use that word in my verified statement. Whereas
16 what we are proposing now is a forward-looking cost
17 number that I think complies with the FCC's TELRIC
18 methodology.

19 Q. Do you recall where you discussed your
20 proposal as a proxy proposal in your initial
21 testimony?

22 A. Line 143.

1 Q. Did you use the word "proxy" to refer back
2 to the proxy rules in the FCC -- I am sorry, the
3 proxy rules in the FCC rule would be Part 51 or did
4 you refer to that as more of an average?

5 A. Well, I referred to it more as an average,
6 as more of a general kind of a statement. But from
7 an interpretational perspective, based on that set
8 of testimony, which I am not supporting that number
9 any more, what I just said is that the Commission
10 probably would interpret that to fall under the
11 proxy section of the FCC rules.

12 Q. Okay. Your proposal at this point is
13 not -- you don't consider it to be a benchmark
14 proposal?

15 A. No.

16 Q. Now, you agree that the ability of this
17 model to generate accurate results is dependent on
18 the quality of the inputs to the model?

19 A. I guess that's a fair statement.

20 Q. Can you turn to page 11 of your verified
21 statement?

22 A. My original verified statement, correct?

1 Q. That's correct. Can you read the sentence
2 that starts on line 234?

3 A. "Regardless of what the exact rate is, I am
4 completely confident the average HAI cost for the 49
5 companies using IITA inputs is higher than the .036
6 cent rate which the ILECs are proposing in this
7 proceeding."

8 Q. Since you gave that statement you have
9 decided that that statement is incorrect, is that
10 true?

11 A. I would say so. I guess to put this in
12 context, that at the time that I wrote this that
13 there were four HAI scenarios that I based this on.
14 And the scenarios are the same as far as the inputs,
15 but there was a change in one of the inputs that was
16 raised by Mr. Wood that caused the HAI costs to
17 decrease.

18 Q. But at that time you were completely
19 confident and you were incorrect?

20 A. Before I commit to that, I just -- do you
21 mind if I read this whole paragraph for context
22 purposes?

1 Q. Please.

2 A. Again, my statement is based on the four
3 scenarios. Reviewing what I said here, it is in
4 reference to the four scenarios. I don't -- I was
5 not saying at the time that it was impossible to
6 come up with an HAI cost that is less than .036. I
7 would never make that statement because anybody can
8 make it come up with something less than .036 if
9 they wanted to by changing the inputs. So I don't
10 think it is proper to go far enough to say what you
11 said in your question.

12 Q. And you refer to a change that you made
13 that Mr. Wood had pointed out regarding host-remote
14 relationships?

15 A. Right.

16 Q. And is it fair to say that that was a
17 functionality of the model that wasn't being
18 activated as it was being run by your office?

19 A. That's correct.

20 Q. Now, when you -- did you run the model
21 personally before you submitted your verified
22 statement?

1 A. These four scenarios that are done here,
2 that's actually two sets of inputs. I ran them -- I
3 am trying to remember exactly when I ran them. I
4 definitely ran those scenarios in the USF case and I
5 am trying to remember if I re-ran them prior to this
6 case and I can't recall if I did or not or if I just
7 simply used the outputs from before.

8 Q. And if you ran them during the USF case,
9 what year would that have been?

10 A. 2001.

11 Q. Okay. And you don't know whether or not
12 you ran them again prior to this testimony?

13 A. Yeah, I don't recall.

14 Q. Were you --

15 A. I think that I actually -- I think that I
16 ran the defaults again because I simply have had
17 those on my computer.

18 Q. Were you aware at the time that you filed
19 this initial testimony, the verified statement, that
20 the model had a functionality that would allow it to
21 determine whether it was more efficient to put an
22 end office on a fiber ring or to put it as a

1 stand-alone remote? Did you know that that
2 functionality was a newer model?

3 A. If I did know it, I don't recall coming to
4 the conclusion that I should or should not do it for
5 purposes of this case, simply because what we are
6 proposing was based on the inputs done in the USF
7 case, that there wasn't a need to re-run it with
8 those kind of considerations in mind for the
9 purposes of the rate that we were proposing at the
10 time.

11 Q. I am not sure if you answered my question.
12 Maybe I just didn't hear it right. Did you know
13 that this functionality was included as part of the
14 model?

15 MR. MURPHY: I need to object to the form of
16 the question. I don't know yet whether this is a
17 new model. So with all due respect to
18 Mr. Schenkenberg, I don't know that his question is
19 a foundation of whether it is or isn't.

20 JUDGE YODER: Are you able to rephrase?

21 MR. SCHENKENBERG: I can. I believe he
22 testified that that's a functionality of the model

1 that wasn't being activated when he ran it in his
2 office. I mean, I can rephrase.

3 Q. Mr. Hendricks, is it your understanding
4 that that functionality is a part of the model?

5 A. I actually assisted Mr. Schoonmaker a year
6 or so ago in the development of cost studies where
7 we did enable that functionality. But for the
8 purpose of what Mr. Wood was addressing on whether
9 or not it has an impact as part of a batch run
10 process, I wasn't aware that by not selecting it as
11 part of a batch run process that it would skew the
12 results the way that it did. It was simply a matter
13 of with Mr. Schoonmaker when I assisted him in
14 another proceeding a year or so ago, whenever that
15 was, where we enabled that, it was simply doing what
16 he told me to do without verifying whether doing
17 this impacts the rate or not doing it impacts the
18 rate.

19 Q. So you were aware that there was a
20 functionality in the model that would determine
21 whether or not it was more efficient to characterize
22 an end office as a remote or put it on a ring?

1 A. I was aware that there was a functionality
2 in the model that allowed you to select the host
3 remote assignments.

4 Q. Okay. And when you a year ago with
5 Mr. Schoonmaker helped him activate that,
6 technically what did you do to the model and how did
7 you run the model in order to activate that?

8 A. Well, simply the same way that we did it on
9 these revised studies. You run it individually and
10 you check the box that says enable host remote.

11 Q. Did you have -- as you prepared to file
12 this verified statement, did you consider re-running
13 the model and activating the host remote
14 functionality for purposes of presenting testimony
15 in this case?

16 A. No.

17 Q. That's not something you discussed with the
18 Petitioners?

19 A. No.

20 Q. Why not?

21 A. We felt that the rates that were provided
22 in the USF proceeding were reasonable approximations

1 of the HAI costs for the reasons set forth in
2 Mr. Schoonmaker's testimony at the time, and we felt
3 that those would be reasonable on a going forward
4 basis. They were already done from a cost benefit
5 perspective. We felt that it was good enough to
6 support the rates that we are proposing and that
7 there wasn't a need to re-run it individually for
8 the companies.

9 Q. Did you know that it was going to make a
10 difference on what the final rates were generated by
11 the HAI?

12 A. Did I know what?

13 Q. Did you know that activating that host
14 remote was going to make a difference?

15 A. No, I didn't.

16 Q. Did you think it might make a difference?

17 A. I didn't think about it at all, to be
18 honest with you.

19 Q. Did it make a difference when you ran it
20 with Mr. Schoonmaker a year ago?

21 A. Like I said, I was just doing what he told
22 me to do. Here is the HAI model, select these

1 inputs, giving the results. So I didn't do any
2 testing to see what impact does this clicking this
3 option have on the rates. That wasn't part of the
4 analysis that Mr. Schoonmaker had me do.

5 Q. After you -- strike that. In looking at
6 the results that were produced in the HAI case, did
7 you believe that -- did you know whether the model
8 was placing all end offices on a fiber ring and not
9 checking to determine whether it was more efficient
10 to put those as stand-alone remotes?

11 A. I think you said HAI case but you meant the
12 USF case, right?

13 Q. I do.

14 A. I didn't know. I believe we didn't analyze
15 that.

16 Q. You didn't analyze the results of the model
17 to determine what the network that the HAI model was
18 producing looked like?

19 A. Well, if there was -- if it was a simple
20 matter of the results spit out a map that showed you
21 exactly what the network looked like, that would
22 have made it a simpler process and probably would

1 have been done. I don't believe that it gets to
2 that level of detail and we simply didn't do it.
3 And the other thing to keep in mind was in that USF
4 case interoffice wasn't really a consideration. The
5 issue at hand in the USF case was the loop cost. So
6 there wasn't a whole lot of scrutiny on the
7 interoffice stuff for what we are talking in this
8 case that there would have been a need to do that.

9 Q. But you rely on what you did in the USF
10 case here, knowing that we are needing to prove up
11 interoffice and not loop costs, right?

12 A. Yeah, but again I didn't know that that
13 input changed things in the way that it did.

14 Q. Did Mr. Schoonmaker know? Have you had
15 this discussion with Mr. Schoonmaker?

16 A. Actually, we did have a brief discussion
17 after Mr. Wood filed his testimony. And if I could
18 characterize his response, I would say that he was
19 surprised and didn't realize that it had the kind of
20 impact that it did.

21 Q. Did you look at the common transport
22 numbers that show up on JPH-3 and think that maybe

1 you needed to look harder to determine whether the
2 models were doing a good job of pricing common
3 transport on these networks?

4 A. Again keep in mind what our position was in
5 my initial verified statement, that we weren't
6 proposing a rate exactly with the HAI, that I did
7 express concerns with some of the results in my
8 verified statement. Yes, some of the numbers did
9 look questionable. So one of the things we did is
10 we averaged the outputs. Like, say we proposed a
11 rate lower than what the HAI costs were in
12 recognition that perhaps there was something
13 improper with it.

14 Q. Wouldn't it be reasonable for an
15 independent consultant if you saw numbers that
16 looked out of whack to work a little harder than you
17 did to try to find out why the model wasn't doing
18 its job in the first instance?

19 A. Well, I will point to the cost benefit
20 considerations in my verified statement, in both my
21 verified statement and supplemental verified
22 statement, that as a consultant for the companies,

1 as a management consultant for the companies, we do
2 a lot of activity to make sure that they are in
3 proper financial shape. And one of them is making
4 sure that the costs that we charge to them don't
5 exceed the benefits of what they are likely to get
6 out of the charges that we assess. And that being
7 the case, we could spend a lot of time scrutinizing
8 the results, scrutinizing the inputs and coming up
9 with something at the end of the day they are not
10 going to get a benefit out of it from revenue that
11 will justify our expenses. So we did the best that
12 we could do under cost benefit considerations for
13 the company from the total company perspective.

14 Q. And did your clients tell you that you
15 could only spend a certain amount of time on their
16 nickel investigating whether or not this model was
17 producing accurate results?

18 A. Not to a specific dollar figure. But
19 inherent in every discussion that we had with them
20 is what revenue do you have at stake, does it make
21 sense for us to do this for you. So it is inherent
22 in any kind of project that we do as we go forward

1 and as part of a bid to do the work.

2 Q. Have you ever reviewed the RING_IO
3 worksheet associated with your model runs? Are you
4 familiar with what that is?

5 A. It's a tab. It's in the model, yeah.

6 Q. It's a work file, not in the expense
7 module. It is a work file.

8 A. And by expense module you are referring to
9 the outputs, the Excel file that is spit out of the
10 model when you hit the run?

11 Q. Right.

12 A. And you are talking about a work file
13 that's produced on the side; I believe it goes into
14 the work file tab under the HAI folder. I don't
15 recall spending much time with that, no.

16 Q. So you don't know whether or not that
17 worksheet answers some of the questions that you
18 weren't able to answer early on in the case?

19 A. I do not, know.

20 Q. Mr. Hendricks, you have inputs that you
21 relied on with these HAI model runs, including the
22 model run that you have discussed in your

1 supplemental verified statement, that use MOU
2 inputs, usage inputs. And those MOU numbers are the
3 original default inputs from the early to mid-'90s,
4 is that right?

5 A. Yes.

6 Q. And those MOUs that were recorded back then
7 don't include wireless traffic or certainly don't
8 include the level of wireless traffic that we have
9 today terminated by those?

10 A. Yes, as far as the terminating wireless,
11 called to wireless, yeah, those minutes of use
12 weren't in there or to the extent they were
13 excepted, I would probably agree with that.

14 Q. And dial-up ISP minutes wouldn't have been
15 within those MOUs that you reported back in the
16 early to mid-'90s?

17 A. Yeah, the dial-up -- two things I would
18 have as a caveat to that are for the wireless you
19 have a lot of substitution so that to the extent
20 that people are using their cell phone more today as
21 opposed to their landline IXC, you are going to see
22 a substitution of minutes. So it is not necessarily

1 an addition of minutes because with wireless you are
2 going to have a reduction in toll minutes perhaps.
3 And then as far as ISP, there is probably a wave
4 where it went up to an extent and it is probably
5 going down as a result of DSL usage.

6 Q. Whatever the current usage amounts are, you
7 didn't update the inputs to bring those up to
8 current level?

9 A. No. And the reason why is -- actually
10 Mr. Wood, I believe, addresses this. There is a
11 problem with how it asks for the data that the
12 companies don't have that kind of information to the
13 extent requested by the model inputs. And for four
14 of the companies, they are average schedule
15 companies that simply don't record the minutes like
16 a cost company does. So, one, they don't really
17 have local minutes at all to input in there, simply
18 because it has been too expensive to do it and they
19 have never had a requirement to do it, the average
20 schedule companies. And then the cost companies, I
21 don't have the kind of detail needed in order to
22 update the HAI model.

1 Q. It wouldn't be that hard to use a couple of
2 companies for whom you do have data and generate
3 some per line per month usage numbers and apply
4 those across all carriers, would it?

5 A. Again, I am not sure if I would have.
6 Theoretically what you are asking is, if that
7 information did exist in the format requested by
8 HAI, would it be difficult to put it in the model
9 and see results, no. The difficulty is do I have
10 that information.

11 Q. Okay. And there are two parts of this
12 question that I want to ask you some more about, and
13 the first is you indicated Mr. Wood's testimony
14 explains why it is difficult to update the model for
15 MOUs. Did you know that before Mr. Wood explained
16 it?

17 A. Yes.

18 Q. Do you agree that the levels of usage that
19 are in the HAI default runs are substantially lower
20 than what we are seeing reported today?

21 A. Again, for the average schedule companies I
22 don't even have a comparison to say if it was higher

1 or lower.

2 Q. Do you have Mr. Wood's testimony and
3 schedules?

4 A. I believe so.

5 Q. There is a proprietary schedule to the, let
6 me get this right, verified rebuttal testimony. And
7 I don't want to say any of the proprietary numbers
8 but it is Schedule DJW-6 and it has some usage
9 information for LaHarpe.

10 MR. FODOR: I don't think the witness has that
11 yet so I have one if it will help him.

12 MR. SCHENKENBERG: Okay. Will you hand him
13 that?

14 Q. I am going to hand the witness from
15 Mr. Wood's copy one page of that schedule. And I
16 just wondered whether you reviewed the testimony of
17 Mr. Wood regarding the comparison of that number or
18 the numbers that show up on that sheet as reported
19 for LaHarpe to the HAI default for LaHarpe and I
20 believe those numbers are reported on page 34 of Mr.
21 Wood's testimony. And again without revealing
22 LaHarpe's confidential data on the record, I would

1 just like you to eyeball those numbers.

2 A. Your question?

3 Q. Yeah, do you agree that's a substantial
4 increase in usage from what the default shows?

5 A. Yes. Can I check something, one other
6 thing, before I answer that?

7 Q. Take your time.

8 A. Yeah, I would agree that the LaHarpe
9 individual numbers are substantially higher than the
10 default numbers. I would note that a large
11 proportion of that increase is as a result of
12 dial-up ISP. And what I am not sure of is how the
13 model has intended that to be handled for purposes
14 of compensation, and I was looking at the inputs
15 portfolio to see if it clarified that any more and I
16 don't see where it did except that everything is as
17 reported to the FCC. So from an interpretational
18 perspective, I am not sure if dial-up ISP would
19 under the model's interpretation need to be included
20 or not.

21 Q. Would it impact costs -- I am sorry, would
22 it impact costs?

1 A. Costs of what?

2 Q. Transport and switching?

3 A. Probably not transport, given how I
4 understand how the company has provisioned ISP.
5 Switching perhaps, if the concept is that every
6 minute is a minute and you should divide the switch
7 over every minute.

8 Q. And these kind of increases in usage rates
9 that we see for LaHarpe are not atypical for
10 companies like the Petitioners?

11 A. No, but from a forward-looking perspective
12 would I expect dial-up ISP to go up, stay the same
13 or go down, I would expect it to go down.

14 Q. That's all I have on that. I will hand
15 that back to Mr. Wood.

16 Mr. Hendricks, I would like to turn to
17 Schedule 24 of your testimony which is the letter
18 from Mr. Jarzemsky. Your Honor, I would like to
19 cross on this. I understand that your ruling
20 allowing this into evidence was conditioned on the
21 receipt of a document that we expect to come. If
22 for some reason that doesn't come, the document is

1 not admitted, I guess I can pose that?

2 JUDGE YODER: You can renew your objection and
3 I will figure it out.

4 MR. SCHENKENBERG: I don't want to waive
5 something by crossing at this point.

6 JUDGE YODER: That's fine.

7 BY MR. SCHENKENBERG:

8 Q. I understand, Mr. Hendricks, that you
9 talked to Mr., is it Trier, is that how it is
10 pronounced?

11 A. Yes.

12 Q. Prior to this letter being issued from
13 Mr. Jarzemsky. What's Mr. Jarzemsky's position with
14 Nortel?

15 A. Product Manager - Rural Switching.

16 Q. And is Mr. Trier somebody who Mr. Jarzemsky
17 reports to?

18 A. I don't know exactly who Mr. Trier reports
19 to. My understanding is that they are separate
20 lines within Nortel. Mr. Trier is a -- I reference
21 it in my testimony. He is a sales executive.

22 Q. Mr. Trier is a sales executive?

1 A. Yeah.

2 Q. Is Mr. Jarzemsky the kind of person who
3 would interface with potential customers, rural
4 telephone company customers?

5 A. My understanding is Mr. Trier would be the
6 one who would first initiate discussions with rural
7 carriers. He is the point contact for all the
8 Nortel companies of the Petitioners. Every
9 Petitioner except Hamilton County Mr. Trier would be
10 the point of contact for. And then as far as
11 developing switch quotes, developing sizes of
12 switches, actually provisioning it, it's my
13 understanding that Mr. Jarzemsky would be that
14 person.

15 Q. Okay. When you called Mr. Trier, can you
16 tell me what you said to him?

17 A. I explained to him the issue as I
18 understood it as raised by Mr. Wood about the
19 traffic sensitive nature of the switch and whether
20 or not it was traffic sensitive. I explained to him
21 the evidence relied on by Mr. Wood, namely the SBC
22 case, and his review of Tier 1 switch contracts, and

1 I asked him if it was appropriate to assume that a
2 level of the switch is -- a portion of the switch is
3 usage sensitive.

4 Q. Okay. And was your request specifically
5 with regard to the DMS-10?

6 A. It was not specifically in regard to the
7 DMS-10 but it quickly turned to a discussion of the
8 DMS-10 because I believe that that's the switch
9 that's used by all of the carriers, all the
10 Petitioners.

11 Q. And is that the switch that's used as a
12 host, as a remote? Are there various models of the
13 DMS-10?

14 A. Definitely the host. The part that I am
15 trying to recall is the remote part of it. And
16 without looking at what was provided to Verizon
17 Wireless as part of data responses, I can't recall.

18 Q. But this doesn't -- this doesn't talk about
19 remote?

20 A. It talks about the DMS-10 switching system.
21 My interpretation of that for the host and remote is
22 that this kind of a discussion would apply to both

1 equally.

2 Q. If you look in that first paragraph, it
3 says the call must be processed to pass through the
4 network matrix. Do you know whether there is a
5 network matrix in a remote DMS-10?

6 A. I don't know.

7 Q. And do you know in the second paragraph
8 where it says the network matrix and the switching
9 system CPU and upper limits, you don't know whether
10 that is limited to a host or also extends to a
11 remote?

12 A. I do not know.

13 Q. Do you know in the standard configuration
14 for the DMS-10 host switch how many minutes can be
15 processed in a busy hour?

16 A. Not off the top of my head.

17 Q. Would it matter to you?

18 A. Well, my understanding from my conversation
19 with Mr. Trier and this letter is that there is.

20 Q. My question was would it matter to you?

21 MR. MURPHY: And he was answering the question.

22 A. Is that there is a -- that the way that the

1 switch is sized that there isn't just one number.
2 So what I am struggling with is your question seems
3 to refer to one number, on what it is for a DMS-10,
4 and I don't think that that's what actually occurs.
5 I think that it is all sized based upon a number of
6 characteristics which the lines and the usage are
7 part of that consideration, as I tried to summarize
8 in my testimony.

9 Q. Okay. Do you know what a reasonable
10 assumption would be of usage during the busy hour,
11 how many calls per line in a busy hour?

12 A. No. I would point out that HAI has those
13 kinds of assumptions within it and no one has raised
14 that issue in this case. So that there is a
15 discussion of that in the model documentation I
16 provided.

17 Q. What's the number, do you know?

18 A. Again, if you could repeat.

19 Q. Well, the question is, is this -- and maybe
20 let me ask you another question first.

21 A. Okay.

22 Q. Is it your understanding that in

1 engineering capacity for a switch, that engineers
2 would look to the busy hour, how many calls have to
3 be processed during the busiest hour of the busiest
4 day of the year?

5 A. Yes.

6 Q. In generating those assumptions one would
7 make an estimate as to how many calls per line would
8 occur in that busy hour, is that right?

9 A. Yeah. All those traffic considerations, my
10 understanding, are part of the switch quote that
11 Nortel provides. So as part of that, when they make
12 the quote, when they size the switch, they consider
13 a number of traffic factors and the ones that you
14 mentioned I understand to be part of that.

15 Q. You don't know what a reasonable assumption
16 would be for that number, though, or what engineers
17 would use?

18 A. I do not know.

19 Q. Let's assume, if you would, let's assume
20 that it is three calls per line in the busy hour,
21 for the sake of asking a few more questions, okay?

22 A. Okay.

1 Q. Mr. Wood and the HAI document says that it
2 is, your HAI, Staff 1, I believe it is Staff 1,
3 that's the portfolio.

4 A. What page?

5 Q. Page 2.

6 A. Okay.

7 Q. So that says line served 1 through 1,000,
8 busy hour call attempts 10,000. So the assumption
9 made there is that in the busy hour there has to be
10 a capability to process 10,000 calls per hour?

11 A. Okay.

12 Q. And we will take that number and if you
13 have one of the Petitioners is going to buy a DMS-10
14 to serve 500 customers, we use ten hours, ten call
15 attempts, 10,000 call attempts in a busy hour, you
16 don't know whether the base level processor that
17 would have to be performed by that Petitioner with
18 the DMS-10 is sufficient to meet that 10,000 call
19 per busy hour requirement, is that what I
20 understand?

21 A. Is your question whether I think this
22 number is a reasonable number?

1 Q. No.

2 A. Okay.

3 Q. Do you?

4 A. It seems reasonable to me, yes.

5 Q. Okay. No, my question is if I were going
6 to buy a switch and I went to Nortel and said I
7 need -- I have got 500 lines so I need to make sure
8 I can process 10,000 calls in a busy hour, is the
9 Nortel switch person going to tell me a standard
10 base level model can process far more than that or
11 is he going to tell me it is going to process 5,000
12 during the busy hour unless you pay more to up your
13 capacity to 10,000?

14 A. I simply don't know, and that kind of
15 information is typically very proprietary and
16 confidential.

17 Q. Would that matter to you in your opinion?
18 Let me ask the question a little differently. If
19 the base level processor could process 20,000 calls
20 in a busy hour such that a switch that was purchased
21 to serve 500 lines would be far under that total
22 capacity, does that impact your opinion as to

1 whether or not switch costs are determined based on
2 usage, switch prices are determined and costs are
3 determined based on usage?

4 A. No.

5 Q. Why not?

6 A. Because the way that I understand the
7 concept of the incremental cost study, if that would
8 fall within the guidelines of what a company would
9 purchase for a switch, that there is still a usage
10 aspect to the switch. The quote is made, the switch
11 is deployed, and you consider all of that as part of
12 the cost study. That is part of the switch quote
13 they look at. And if what they have can process
14 more than that, it doesn't mean that you don't
15 include the cost of the switch. Similar to for
16 incremental cost studies for a loop. If you are
17 only going to be using two lines and the minimum
18 size of a distribution cable is 25, you use the 25
19 cable. And perhaps there's some kind of fill factor
20 or whatever applied to it, but you don't simply say
21 that the loop is not incremental and therefore you
22 shouldn't price it as part of a TELRIC's level.

1 Q. I don't want to beat this into the ground.
2 Maybe just let me ask you one other question,
3 Mr. Hendricks. Let's assume that the Nortel
4 representatives said that your base level processor
5 can handle 20,000 calls during the busy hour and so
6 your 500 customers can be served without reaching
7 the capacity of the processor. Is the purchase of
8 that DMS-10 part of the start-up costs to buy the
9 switch or is that cost of the DMS-10 something that
10 is specifically incurred to deal with capacity, an
11 increased capacity demand?

12 A. Well, the way that I understand the letter
13 and the conversation that I had with Mr. Trier, that
14 it would all be part of it. And that regardless of
15 whether you ever reached the maximum or not, it is
16 still a consideration of the quote and the size
17 switch and therefore should be part of the study.

18 Q. Okay. Thank you. I will move on and I
19 have just a quick question on SS7 which you talked
20 about earlier in your testimony today. Is it your
21 understanding that the HAI model bills STPs the
22 costs for which then need to be recovered through

1 permanent rates?

2 A. Yes.

3 Q. And what's an STP?

4 A. Signaling transport point, I believe that's
5 the acronym.

6 Q. So when you in your supplemental statement
7 talk about the facilities -- well, do these
8 companies today have their own STPs?

9 A. No.

10 Q. So in your verified supplemental statement
11 you talk about facilities existing on these networks
12 in order to terminate SS7 messages. Do you receive
13 SS7 messages?

14 A. Right.

15 Q. Those facilities aren't the same facilities
16 that the HAI model has built in, is that correct?
17 There is some overlap, but.

18 A. Yeah, I think that in developing my
19 response that's in my supplemental verified
20 statement, I spoke with the companies about the kind
21 of costs that they incur for SS7 and so forth and
22 then I then compared it to HAI. And my

1 understanding --

2 MR. SCHENKENBERG: I am sorry, Your Honor, this
3 is not responsive and I think this is something that
4 you can take up on redirect.

5 MR. MURPHY: I think he is trying to answer the
6 question. I think you should let him answer it. If
7 he has a follow-up question, let ask it.

8 MR. SCHENKENBERG: My question is very specific
9 as to whether the facility is the same.

10 JUDGE YODER: I will let him answer it. And if
11 he doesn't answer your question, you can dig more.

12 A. So developing my answer, I compared it to
13 what I thought the HAI model did. And comparing it
14 to the results, comparing it to the model
15 methodology, my answer is it seemed to match with
16 what HAI did. In other words, I think that it goes
17 beyond just STP.

18 BY MR. SCHENKENBERG:

19 Q. Your answer in terms of what the costs are
20 or your answer in terms of what the facilities are?

21 A. My answer -- well, my answer in terms of
22 what the companies incur as part of their portion of

1 SS7. Their portion of it is developing -- is
2 getting the trunks to the STP provider, and that it
3 didn't seem to me that HAI limited costs simply just
4 to the STP but considered all of the SS7 aspects of
5 it. And, therefore, when I said that you need to
6 consider everything, that's what I meant.

7 Q. Okay. And let me just make sure I get a
8 clear answer to my question. The HAI model bills
9 facilities. And when you talk in your supplemental
10 statement about the facilities that are necessary on
11 the Petitioners' networks to receive SS7 messages,
12 those aren't the same facilities as the HAI model
13 bills. There is some overlap. Some of the
14 facilities that the HAI model bills are on the
15 Petitioners' networks but there is also an SCTP that
16 the HAI model bills that is not on the Petitioners'
17 bill?

18 A. I think that's correct.

19 Q. Okay. You have given some testimony about
20 Staff's proposal on interstate access rates, and I
21 just want to make sure that the record is clear that
22 your clients believe this is an appropriate -- that

1 it is appropriate to set rates in the cost study at
2 access rates or do they believe that is
3 inappropriate?

4 A. Our position is that the Commission should
5 set rates equal to the HAI, that the average HAI
6 costs that I discuss is GPH5.

7 Q. And your clients recognize there is a legal
8 distinction between reciprocal compensation and
9 access?

10 A. Yes, they do. And as far as getting to the
11 second part of your question or my second part of
12 the answer to your question, as far as the Staff and
13 our response to it, we believe that we have
14 fulfilled our requirements for the forward-looking
15 cost aspect of the rule. But if the Commission
16 disagrees with that using the interstate rates as a
17 proxy with our proposed adjustments, specifically
18 for the average scheduled companies, then that would
19 be a reasonable proxy only if they determine that
20 our forward-looking costs aren't appropriate.

21 Q. Your clients in order to have interstate
22 access rates approved do not need to show that they

1 have a TELRIC compliant network design in place and
2 they don't need to demonstrate least cost
3 forward-looking expenses, is that correct?

4 A. There is two parts to that. One, we think
5 that the networks that they have in place are TELRIC
6 compliant, and I talk about the reasons why in my
7 testimony. So, therefore, whenever their rates get
8 approved for interstate access and it gets approved
9 by the FCC if they are just cost companies, and NECA
10 and the FCC if they are average schedule companies,
11 that when that review is done and the costs are
12 allowed, that by allowing the cost for the current
13 network which we think is compliant with TELRIC,
14 then therefore the rates would be complaint on a
15 forward-looking basis.

16 Q. They don't need to prove that to get their
17 rates approved, though?

18 A. Yeah. The methodology as far as the
19 approval for the FCC's perspective, do they balance
20 it up against their TELRIC rules, they do not.

21 Q. I would like you to turn briefly to JPH-17
22 and I just want to ask you a question about how you

1 do the math.

2 A. Okay.

3 Q. I believe the HAI default number is 412 per
4 line, is that correct, for central office
5 investment?

6 A. I think it is 411.

7 Q. Whatever that number is, if you take
8 283,000, divide it by that number, 412, are you
9 going to get the number of lines?

10 A. No, where those numbers are derived from
11 HAI is the USOA tab of the model results. So if you
12 go to the USOA tab and go to Account 2210 of the HAI
13 model, that's where that number is derived from.

14 Q. So, but that doesn't correlate, though, to
15 \$412 times the number of lines?

16 A. Not exactly, no.

17 Q. Is it close?

18 A. Actually, I haven't even done the math. I
19 mean, the way that -- what this is, it is derived
20 from the 411 which is a constant term as well as the
21 slope term. So it has a couple aspects of switching
22 that in total derive the total switching investment.

1 So when we first did this in the USF case and then
2 what you have to do is kind of do a trial and error
3 to get to a number that seems to be close to what we
4 think is reasonable. So that's how we ended up with
5 the \$600 number originally. And then what we did
6 here is compared it against the HAI numbers with our
7 HAI and you look at the 2210 count, does it still
8 jive, does it still match up with what the actual
9 Petitioner costs are, and that's what this is
10 showing. So again this is a 2210 USOA which is
11 derived from a couple of inputs.

12 Q. Your Honor, if I could just have one
13 minute, I am done.

14 Just one more question, Mr. Hendricks. In
15 your initial testimony you had run the HAI model and
16 determined that it was not sufficiently -- was not
17 sufficient to establish forward-looking rates and so
18 you proposed a lower rate and to use the HAI model
19 as a benchmark. Is that a fair characterization?

20 A. To an extent. I would re-characterize it
21 by saying that HAI was good for its purposes of
22 developing forward-looking costs as a benchmark at

1 the time because there were concerns about it. And
2 that the rate was set below that based on some of
3 the concerns. But it wasn't good enough at that
4 time to set an exact rate based on HAI.

5 Q. And there were a number of reasons why you
6 thought it wasn't good enough at that time to set
7 rates that could be used definitively in this
8 proceeding. Since then the only thing you have done
9 is to fix a problem that you didn't know existed at
10 that time, is that right?

11 A. Correct.

12 Q. So you haven't fixed any of those things
13 you were initially concerned about, but your
14 testimony now is that the model is good enough to
15 set definitive rates?

16 A. It is good enough from a reasonableness
17 perspective. Yes, there are still concerns with the
18 model that as I talk about in my supplemental
19 verified statement that you could spend an eternity
20 digging through it and making changes. Some would
21 go up, some would go down. We have identified some
22 other things that would probably underestimate

1 costs. But also in my -- it is good enough from a
2 reasonableness perspective now to set a rate,
3 despite the concerns, simply because it meets the
4 reasonableness perspective of the FCC rules. And
5 from a cost benefit consideration of going through
6 and changing every possible thing that you could to
7 make a perfect cost, one, it would take a lot of
8 time and then, two, you are never going to get a
9 perfect cost anyway because by definition
10 forward-looking costs are never going to equal --
11 are never going to be one hundred percent perfect.

12 MR. SCHENKENBERG: No further questions.

13 JUDGE YODER: Mr. Lannon?

14 MS. BROWN: Just one second if I could speak to
15 my witness.

16 (Pause.)

17 MS. BROWN: I will just have a couple
18 questions.

19 CROSS EXAMINATION

20 BY MS. BROWN:

21 Q. Good morning, Mr. Hendricks. I am Brandi
22 Brown. And just a couple of questions about the

1 model again. Did you -- you are aware that there is
2 a Version 5.1 of the model, right?

3 A. Yes.

4 Q. And did you at all consider using that
5 version for use in this proceeding?

6 A. No, simply because it is not as available.
7 It is on a much more limited basis, is my
8 understanding, to obtain that model. We didn't have
9 access to it and typically what we have seen in
10 other proceedings is 5.0A is the model that's
11 usually used.

12 Q. And you are aware that Mr. -- that our
13 client is advocating using that 5.1 default for
14 certain inputs in USF proceedings?

15 A. Yes, and I talk about how we didn't have
16 the ability to obtain those 5.1 and the model in
17 order to verify whether that was appropriate.

18 Q. And as you assisted Mr. Schoonmaker in the
19 USF proceeding, did you have an opportunity to
20 evaluate those recommendations that Mr. Koch
21 suggested?

22 A. No, my involvement in the USF was more on

1 the front end and as part of the development of the
2 rural carrier's costs, more so than on a rebuttal
3 perspective. So I don't recall being involved
4 responding to 5.1 if Mr. Schoonmaker even did. I
5 didn't review it at the time.

6 Q. Okay. So would you -- do you have any
7 reason to believe that the proposed changes that
8 Mr. Koch recommends to update the model are
9 improper?

10 A. Yeah, I talk about that in my supplemental
11 verified statement. I think that the fill factors
12 seem too high just from my experience. Our clients
13 generally don't record that as part of their plant
14 records what their actual fill factors are. So in
15 order to obtain that information from the companies
16 in the short time frame from the time Mr. Koch filed
17 testimony until now just wasn't possible. So I
18 don't have exact numbers. My statements were
19 general statements based on my experience reviewing
20 other companies models as well as my general
21 understanding of rural areas. And then as far as
22 the pricing issue for 5, those numbers seem too low

1 and I did provide an exhibit which I think shows
2 that Mr. Koch's numbers are too low.

3 MS. BROWN: Okay, nothing further.

4 JUDGE YODER: I have a couple of questions
5 before I get you into redirect.

6 EXAMINATION

7 BY JUDGE YODER:

8 Q. On Schedule JPH-9 of your supplemental you
9 have rerun the HAI model, is that correct?

10 A. That's correct.

11 Q. Using, I presume, some changes that
12 Mr. Wood has suggested or discovered some problems
13 in any event?

14 A. Yes.

15 Q. And you have a number then total HAI for
16 each company?

17 A. Right.

18 Q. Which would be -- would that be your
19 testimony that those are -- would be reasonable
20 forward-looking TELRIC costs for each company, a
21 reasonable approximation?

22 A. Well, my proposal would be to use the

1 average number. I think that that's the most
2 relevant number as far as a second choice of what's
3 being presented in the case. I would say that
4 that's -- that would be reasonable.

5 Q. The bottom is the average and assume that's
6 the seven figures added together divided by seven?

7 A. Exactly.

8 Q. Each of the companies is a different size
9 within a range, isn't that correct?

10 A. Yeah, approximately.

11 Q. You said one to 4,000 lines?

12 A. Yes, exactly.

13 Q. Would you explain to me or for the record,
14 just to clarify for me, why each company should be
15 weighted equally in determining that average, if
16 there is a reason that you should -- that you
17 wouldn't weight some of the numbers greater in
18 coming up with the average?

19 A. Right. We did do weighted averages as far
20 as what we are going to propose in the case. And I
21 am trying to remember if I actually -- actually, I
22 think I did do a straight average on my

1 supplemental. I mean, I looked in my verified
2 statement. It is potentially more accurate to use a
3 weighted average to come up with that. But what I
4 found is that it doesn't change it by a whole lot
5 either, that that average doesn't really vary much
6 when you use a weighted average as opposed to a
7 straight average which is just for a simplicity
8 perspective we just stuck with the straight average.
9 And just to clarify, probably the most reasonable
10 weighting would be probably total minutes of use
11 more so than access lines, although they could
12 potentially be roughly the same anyway.

13 JUDGE YODER: Mr. Murphy or Mr. Fodor, any
14 redirect?

15 MR. MURPHY: Yes.

16 JUDGE YODER: Or would it be rebuttal? I can't
17 remember. Any additional questions for
18 Mr. Hendricks?

19 MR. MURPHY: You first.

20 REDIRECT EXAMINATION

21 BY MR. FODOR:

22 Q. I think Ms. Brown just asked you a question

1 about whether you looked at 5.1 and I thought I
2 understood your response. Is there a cost -- is it
3 readily available if you are willing to pay the
4 price?

5 A. I believe so, yes. I think -- well, to be
6 honest, I guess I better not answer because I am
7 just speculating. But I know that generally it is
8 not as available as 5.0A. And we didn't have it in
9 house and I am not sure if you can get it for a fee
10 or exactly how it is.

11 Q. So you don't know whether -- you don't know
12 a dollar amount that's associated with the right to
13 use that model?

14 A. No, I don't.

15 Q. Have you looked at any other models that
16 have a fee associated with the right to use them?

17 A. Well, in general I am aware that you can
18 probably pay Bellcore fees to use their models but
19 they are pretty substantial, that it wasn't much of
20 a consideration at all.

21 Q. Do you have a ballpark figure of what you
22 mean by substantial?

1 A. I don't know if I am allowed to quote a
2 number that I have seen or not, but I would say a
3 million dollars.

4 Q. Would that be per company or would your
5 firm be able to use it for all of your clients at
6 that price?

7 A. I don't know. But even at a million
8 dollars, it wouldn't be worth it.

9 Q. And HAI 5.0A was available because your
10 firm had previously acquired the right to use that
11 license for these companies and others?

12 A. Exactly.

13 Q. I think during some questioning by
14 Mr. Schenkenberg it looked like maybe before you
15 filed your original verified statement you didn't do
16 as much testing of the HAI model as maybe you have
17 done now. So let me ask you the question. Have you
18 done additional testing of the inputs and what those
19 inputs generate and compared them to various things
20 so that you are more comfortable with your answers
21 now?

22 A. Yes, I am. And in my supplemental verified

1 statement I talk about some of the tests that I have
2 done that I hadn't done previously when I made that
3 benchmark proposal, for lack of a better term. I
4 tested it against inputs. I tested the inputs
5 against what the company's actual costs are for a
6 number of things that I have indicated in my
7 supplemental verified statement. And then I have
8 examined the outputs and compared them to the
9 interstate access rates which Staff is advocating,
10 and I think that they are comparable which I show in
11 one of my exhibits.

12 Q. And I apologize to both of you for this
13 question, but did your testing find a mistake by
14 Mr. Wood?

15 A. Yes, it did.

16 MR. SCHENKENBERG: Objection, beyond the scope
17 of cross.

18 JUDGE YODER: I will sustain it and -- I will
19 sustain the objection.

20 MR. FODOR: That means I keep asking? I don't
21 remember. I didn't even get to argue, so.

22 JUDGE YODER: Oh, I am sorry, you want to

1 argue?

2 MR. FODOR: Are you going to rule before I
3 argue?

4 JUDGE YODER: I'm sorry. Go ahead, argue.

5 MR. FODOR: I think Mr. Schenkenberg asked a
6 series of questions designed to make Mr. Hendricks
7 look like a go-for and I am redirecting to make him
8 look like an expert. I believe it is perfectly
9 appropriate. I don't believe there is any question
10 that when the witness takes a stand he is going to
11 identify that. I think Mr. Hendricks has admitted
12 that Mr. Wood discovered something that he missed.
13 I think it is perfectly fair for Mr. Hendricks to
14 take credit for something that he found. And I
15 don't think it is beyond the scope of
16 Mr. Schenkenberg's line of questioning.

17 JUDGE YODER: Well, I will sustain the
18 objection in any event. And I don't know that we
19 are trying to point blame or fingers on who found
20 what, but in any event.

21 MR. FODOR: See, I was taught never to end on
22 an objection but that's really all I had.

1 MR. MURPHY: Well, then I will go on.

2 REDIRECT EXAMINATION

3 BY MR. MURPHY:

4 Q. You were asked some questions about the
5 differences between access and reciprocal comp, do
6 you recall those?

7 A. Yes.

8 Q. And are you familiar with the 1996
9 Telecommunications Act?

10 A. Yes.

11 Q. Are you familiar with the fact that it
12 draws distinctions between access and reciprocal
13 comp?

14 A. Yes.

15 Q. Since the passage of the 1996 Act has the
16 FCC taken any steps to address the differences
17 between access and reciprocal comp?

18 A. Yes.

19 Q. Can you characterize some of the actions it
20 has taken to address, what are the issues and what
21 have they done to address it?

22 A. The most important one was the MAG order

1 and I don't recall what MAG stands for. It is an
2 acronym. But it is basically a ruling that they
3 made addressing rural company access charges. And
4 what they did in that ruling is remove all the
5 non-traffic sensitive costs from access, the result
6 being that the access rates are lower now than they
7 were at the time of the passage of the '96 Telecom
8 Act.

9 Q. Do you know whether access rates are more
10 similar to reciprocal comp today than they were in
11 1996 or less than they were?

12 A. More similar.

13 Q. Do you know whether that's a policy, an
14 intentional policy goal, of the FCC?

15 A. Yes, it is.

16 Q. Do you know whether this Commission has
17 pursued similar policy goals?

18 A. Yes, they have, actually pre-dating the MAG
19 order.

20 Q. And do they pre-date 1996, post-date or
21 continue right through?

22 A. Continue right through. It is a

1 longstanding tradition.

2 Q. And is it the policy of this Commission to
3 the best of your knowledge to drive out of access
4 non-usage sensitive elements?

5 A. Yes, it is, and I cite to an order in my
6 verified statement on that. I think it is 01-0808
7 where they renewed that and provided a long history
8 of their policy of doing it.

9 Q. At one point in the cross examination
10 Mr. Schenkenberg asked you whether it would be
11 appropriate to take the increased minutes of use for
12 a particular company and apply that to other
13 companies, do you recall that?

14 A. Yes.

15 Q. And would that be a company specific
16 approach?

17 A. No.

18 Q. There was a long conversation about your
19 dealings with Mr. Trier and Mr. Jarzemsky, and I
20 believe that Mr. Schenkenberg, as I understood his
21 question, asked you whether it would change your
22 opinion if the switch vendor said that the switch

1 will handle up to some number of minutes that was
2 higher than the busy hour minutes of a particular
3 company. Do you recall that line of questioning?

4 A. Yes.

5 Q. Is it your understanding that that is in
6 fact how the switch vendor does that?

7 A. Yes.

8 Q. Which is your understanding? Do they pick
9 a busy hour time? How do they do that based on your
10 conversations with Mr. Trier and Mr. Jarzemsky?

11 A. Here we go again. I am going to have to
12 ask you to repeat it. I want to make sure I
13 understand it.

14 Q. I want to understand from you, based on
15 your conversations with Mr. Trier and Mr. Jarzemsky,
16 if there are other industry switch vendors you
17 talked to and want to rely on, please identify them
18 if you do, how is it that the switch vendor goes
19 about pricing the switch with relation to usage
20 sensitive elements if they are a factor?

21 A. My understanding is they ask from each
22 perspective company how many minutes do you have and

1 then they ask a series of questions relating to
2 traffic. And what Mr. Trier told me is that
3 oftentimes companies simply don't have that. The
4 rural LECs or other companies simply don't have the
5 traffic information requested by the switch vendor.
6 So what Nortel does at that point is approximates it
7 based on a number of characteristics and they come
8 up with what they think the traffic is for the rural
9 LEC and then they price the switch and develop the
10 capacity based on that.

11 MR. MURPHY: I have no further questions.

12 MR. SCHENKENBERG: Can I ask just a few follow
13 up questions?

14 JUDGE YODER: A brief couple, yeah.

15 RE CROSS EXAMINATION

16 BY MR. SCHENKENBERG:

17 Q. Is it your understanding, Mr. Hendricks,
18 that the FCC's removal of non-traffic sensitive
19 costs related to switch ports?

20 A. Yes.

21 Q. So to the extent there would be some switch
22 costs other than switch ports that would be deemed

1 to be not incurred on a usage sensitive basis, those
2 haven't been removed from access?

3 A. I just don't know how that would be
4 possible. But they looked at the switch costs and
5 they took out what they considered to be non-traffic
6 sensitive. So my understanding is what's left they
7 believe to be completely traffic sensitive.

8 Q. What they took out was 54?

9 A. That's my recollection. It has been awhile
10 since I reviewed that order but I believe so.

11 Q. And with regard to the last question on the
12 Nortel, you just don't know for example whether or
13 not you can buy a processor that was maxed out at
14 5,000 minutes of use or whether the minimum
15 processor you can buy is something greater than
16 that?

17 A. Yeah, I don't know.

18 MR. SCHENKENBERG: Thank you.

19 JUDGE YODER: Mr. Lannon?

20 MR. LANNON: We don't have anything.

21 MR. MURPHY: Can I ask one redirect question?

22 JUDGE YODER: Based on that, okay.

1

2

REDIRECT EXAMINATION

3

BY MR. MURPHY:

4

Q. Is the processor the sole basis on which

5

Nortel prices its switching to your understanding?

6

A. No.

7

JUDGE YODER: Okay. You may remain where you

8

are or step down or leave.

9

MR. HENDRICKS: Thank you.

10

(Witness excused.)

11

JUDGE YODER: Anything else to present on

12

behalf of the Petitioners, Mr. Murphy or Mr. Fodor?

13

MR. MURPHY: Pending the receipt of the

14

declaration, no.

15

MR. FODOR: Are we going to take a break soon,

16

Your Honor?

17

JUDGE YODER: Well, I am trying to read my

18

clock here.

19

MR. LANNON: 11:25.

20

JUDGE YODER: We can go off the record here for

21

a minute.

22

(Whereupon the hearing

1 was in a short recess.)
2 (Whereupon Petitioners
3 Exhibit JPH-24 was
4 marked for purposes of
5 identification as of
6 this date and admitted
7 into evidence.)

8 JUDGE YODER: Back on the record then in
9 05-0644 et al., consolidated. Mr. Murphy, I think
10 you finished with Mr. Hendricks. Do you have
11 anything else to present then in your case?

12 MR. MURPHY: Yes, Your Honor. Earlier today we
13 had proposed to attach an additional schedule to
14 Mr. Hendricks' supplemental verified statement that
15 was labeled for the record purposes as JPH-24 and it
16 was a letter from David Jarzemsky of Nortel. After
17 a motion to strike or to oppose its admission was
18 ruled on and Your Honor said that it could be
19 admitted subject to the inclusion of a declaration
20 that I said would be forthcoming, over the lunch
21 hour I have received a fascimile copy of a
22 declaration of David Jarzemsky. And after

1 discussing it with the other counsel in the room, we
2 have agreed that JPH-24 as it will be entered into
3 the record will consist of the declaration of David
4 Jarzemsky with the letter actually being an
5 attachment to the declaration. When I receive the
6 original of the declaration, I will make a filing
7 with e-Docket to capture all of this, with Your
8 Honor's permission.

9 MR. SCHENKENBERG: And I believe the record
10 notes that this is being received over Verizon
11 Wireless's objection.

12 JUDGE YODER: Correct. Mr. Lannon, do you have
13 any position, objection?

14 MR. LANNON: No, Staff has no position.

15 JUDGE YODER: Okay. Mr. Murphy, do you want
16 the original of the letter with the embossed --

17 MR. MURPHY: Sure, and I will take back so that
18 when I make the e-filing, although it won't show up
19 on the e-file, it will be an image of the original.

20 JUDGE YODER: Anything else to present then,
21 Mr. Murphy or Mr. Fodor?

22 MR. MURPHY: No, Your Honor.

1 MR. FODOR: No, Your Honor.

2 JUDGE YODER: Mr. Schenkenberg, you ready to
3 proceed with Respondents?

4 MR. SCHENKENBERG: We are, Your Honor, and we
5 would call John Clampitt as the first witness of
6 Verizon Wireless.

7 JUDGE YODER: Mr. Clampitt, would you raise
8 your right hand?

9 (Whereupon the Witness
10 was duly sworn by Judge
11 Yoder.)

12 JOHN L. CLAMPITT
13 called as a Witness on behalf of Verizon Wireless
14 and its constituent companies, having been first
15 duly sworn, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. SCHENKENBERG:

18 Q. Now, Mr. Clampitt, would you state your
19 full name for the record.

20 A. John L. Clampitt, C-L-A-M-P-I-T-T.

21 Q. And by whom are you employed?

22 A. Verizon Wireless.

1 Q. And can you state your business address for
2 the record?

3 A. Buildings address is 2785 Missile Drive,
4 Walnut Creek, California 94598.

5 Q. And do you have before you a document that
6 is the verified rebuttal testimony of John Clampitt?

7 A. Yes, I do.

8 Q. And what's the exhibit number at the top of
9 that document?

10 A. Exhibit Number 1.

11 Q. And was that he filed in this docket?

12 A. Yes.

13 Q. And if I ask you those question today that
14 are contained in that testimony, would your answers
15 be the same?

16 A. Yes.

17 Q. And are there schedules that are attached
18 to that document?

19 A. I believe so, yes.

20 Q. Just identify the schedules?

21 A. JC-1 would be it.

22 MR. SCHENKENBERG: Your Honor, I move the

1 admission of Verizon Wireless 1 which is the
2 rebuttal testimony of Mr. Clampitt and JC-1.

3 JUDGE YODER: Any objection, Mr. Lannon?

4 MR. LANNON: None from Staff, Your Honor.

5 JUDGE YODER: Any objection, Mr. Murphy?

6 MR. MURPHY: No, Your Honor.

7 JUDGE YODER: Mr. Fodor?

8 MR. FODOR: No, Your Honor.

9 JUDGE YODER: All right. Verizon Wireless
10 Exhibit Number 1 and Schedule JC-1 will be admitted
11 into evidence in this docket.

12 (Whereupon Verizon
13 Wireless Exhibit 1 was
14 admitted into
15 evidence.)

16 BY MR. SCHENKENBERG:

17 Q. Thank you. Mr. Clampitt, do you have
18 before you what has been labeled the verified
19 response testimony of John Clampitt?

20 A. Yes, I do.

21 Q. And what's the date on that testimony?

22 A. December 8, 2005.

1 Q. Did you cause that to be or did Verizon
2 Wireless file that on e-Docket?

3 A. Yes.

4 Q. And if I asked you the questions today
5 contained in that document, would your answers be
6 the same?

7 A. Yes.

8 Q. Are there schedules to that document?

9 A. There are. JC-2, JC-3, and I believe
10 that's it.

11 Q. And what's the exhibit number of that
12 document in the upper left-hand corner?

13 A. Number 4.

14 MR. SCHENKENBERG: Your Honor, I would move the
15 admission of Verizon Wireless Exhibit Number 4 which
16 is the verified response testimony of Mr. Clampitt
17 and associated schedules which were filed on
18 e-Docket.

19 JUDGE YODER: I have a schedule JC-4. Are you
20 not moving to admit that or did the witness miss
21 that?

22 MR. CLAMPITT: I missed that.

1 JUDGE YODER: It appears to be responses, data
2 request responses.

3 MR. SCHENKENBERG: Thank you, Your Honor. Our
4 motion would include JC-4.

5 MR. CLAMPITT: I am sorry, JC-4.

6 MR. SCHENKENBERG: Our motion does include
7 that, Your Honor. Thank you.

8 JUDGE YODER: Mr. Lannon, any objection?

9 MR. LANNON: No objection.

10 JUDGE YODER: Four and the accompanying
11 exhibits. Mr. Fodor?

12 MR. FODOR: No objection.

13 JUDGE YODER: Mr. Murphy?

14 MR. MURPHY: No objection.

15 JUDGE YODER: Verizon Wireless Exhibit Number 4
16 and the schedule attachments JC-2, 3 and 4 will be
17 admitted into evidence in this docket.

18 (Whereupon Verizon
19 Wireless Exhibit 4 with
20 Schedules JC-2, JC-3
21 and JC-4 were admitted
22 into evidence.)

1 MR. SCHENKENBERG: And we will tender the
2 witness for cross examination, Your Honor.

3 JUDGE YODER: Mr. Murphy and Mr. Fodor, if you
4 want to proceed first?

5 MR. FODOR: You can go first.

6 CROSS EXAMINATION

7 BY MR. MURPHY:

8 Q. Mr. Clampitt, my name is Joe Murphy. I am
9 representing some of the Petitioners in this docket,
10 and I have a few questions about some assertions
11 made in your supplemental -- I am sorry, your
12 verified reply testimony about the course of
13 dealings in this docket. I represent, as you may
14 know, four of the Petitioners here, Hamilton,
15 LaHarpe, McDonough and Mid-Century. And I guess my
16 first question is this. How long has Verizon
17 Wireless or any of the Verizon Wireless entities
18 been terminating traffic to Hamilton, do you know?

19 A. No, I don't.

20 Q. And with regard to LaHarpe do you know?

21 A. No.

22 Q. The other two companies, do you have any

1 idea?

2 A. No.

3 Q. Do you have any ballpark as to how long
4 they have been terminating traffic?

5 A. That would, I think, depend on when we took
6 ownership of the wireless companies in that area,
7 and it would also depend on our routing, whether it
8 is sent traffic or local traffic or whether we send
9 it through an interexchange carrier. It is really
10 hard for me to tell, but I would suggest probably
11 certainly for the last year or two, yeah.

12 Q. And so is it your understanding that the
13 entities that we are negotiating with have only been
14 a part of Verizon Wireless for the last year or two?

15 A. We pick up licenses periodically. I
16 believe that most of the companies that function in
17 Illinois were originally owned by Ameritech and they
18 were spin-offs. So I am trying to think back when
19 they were purchased.

20 Q. Were they spun off as a result of the
21 SBC/Ameritech merger?

22 A. Yes, I believe.

1 Q. So if I represented to you that that
2 occurred in 1999 would that refresh your
3 recollection?

4 A. Yeah.

5 Q. So would it be fair to say that those
6 entities have been a part of Verizon Wireless for
7 approximately six years?

8 A. I would say that for the Ameritech
9 companies, yes.

10 Q. And do you know with regard to those
11 entities before the time they became part of Verizon
12 Wireless, do you have any idea how long they may
13 have been terminating traffic to these exchanges?

14 A. No.

15 Q. Would it be your expectation that they have
16 been terminating traffic to those exchanges since
17 before the '96 Act?

18 A. It is certainly possible.

19 Q. To the best of your knowledge has Verizon
20 Wireless or any of the entities that are part of
21 Verizon Wireless now ever compensated Hamilton
22 County Telephone Co-op for any minutes they have

1 terminated?

2 A. No.

3 MR. SCHENKENBERG: Objection, relevance.

4 MR. MURPHY: The relevance is that he talks
5 about a course of dealing here and how we are just
6 being fair and, you know, we are just being fair in
7 negotiating with the wireless carriers, when the
8 real deal here is that the wireless carriers keep
9 moving the bogey out just a little farther. So, you
10 know, oh, we just need to have this, we just need to
11 have that. But in fact then I think it is a fair
12 representation that the wireless carriers have never
13 compensated any of these people. And the whole deal
14 here is that if we keep pulling the bogey out just a
15 little farther, they never well.

16 And I think it is relevant to the record
17 when he says that this is just a fair negotiation to
18 recognize that over the course of history since the
19 '96 Act, before and since, nobody has ever been
20 compensated, even though I believe the witness will
21 say when I ask him that Verizon Wireless agrees that
22 compensation is appropriate.

1 JUDGE YODER: Well, while it is getting
2 argumentative the witness has already answered and
3 his answer was no. I think the court reporter got
4 it. So his answer is on the record so I will let
5 his answer stand. I don't know if that's
6 necessarily an issue for us to address in
7 arbitration, but.

8 MR. CLAMPITT: I would like to modify or add to
9 the answer in the sense that the rural telephone
10 companies where they have billed us, and not all of
11 these companies have billed us, by the way, but for
12 those who have they have billed us at access rates.
13 They have never talked to us about something that we
14 would look at as a local interconnection reciprocal
15 compensation rate. They have always been access
16 bills, which in most cases we have disputed.

17 BY MR. MURPHY:

18 Q. I don't want to go on with this very long
19 because it is an underlying point. I don't know
20 that the whole point is in dispute. But very
21 briefly to the best of your knowledge has Verizon
22 Wireless or any of these entities ever paid

1 terminating compensation to any of the Petitioners
2 in this case?

3 A. No.

4 Q. There was a period of time in Illinois when
5 there were some terminating wireless tariffs. Are
6 you familiar with the fact that those tariffs were
7 on file in Illinois?

8 A. Yes.

9 Q. Do you know whether you were billed under
10 those tariffs?

11 A. I believe one or two companies did bill. I
12 don't believe all of them did.

13 Q. And did Verizon Wireless pay under any of
14 those terminating wireless tariffs?

15 A. No.

16 Q. Under the '96 Act there is discussion of
17 reciprocal compensation and negotiated agreements,
18 right?

19 A. Yes.

20 Q. Has Verizon Wireless or any of the entities
21 that are now part of Verizon Wireless to the best of
22 your knowledge ever requested negotiations with

1 Hamilton County Telephone Co-op?

2 MR. SCHENKENBERG: Objection, relevance.

3 MR. MURPHY: Same response.

4 MR. SCHENKENBERG: Your Honor, we are talking
5 about pricing specific service that will be applied
6 to this contract. That's the legal issue before the
7 Commission.

8 JUDGE YODER: Well, I will go ahead and allow
9 it.

10 MR. MURPHY: This is the last line.

11 JUDGE YODER: All right.

12 MR. CLAMPITT: The answer is no.

13 BY MR. MURPHY:

14 Q. And same question with regard to LaHarpe,
15 McDonough or Mid-Century, has Verizon Wireless or
16 any entities under Verizon Wireless ever requested
17 negotiation of those companies?

18 A. No.

19 Q. In your initial verified statement which is
20 captioned Verified Rebuttal Testimony, Exhibit
21 Number 1, would you please turn to pages 7 and 8?
22 At the top of page 8 there is a sentence that begins

1 on line 130. Would you please read it into the
2 record beginning "In my"?

3 A. This is on page 8?

4 Q. Yes, on my copy. It is line 130.

5 A. "Negotiated agreements are not relevant to
6 forward-looking costs under the Act. In my
7 experience the rates in negotiated agreements are
8 usually higher than cost-based rates established
9 under the Act in the FCC's rules."

10 Q. Are you aware of any cost-based rates that
11 have been established for independent carriers under
12 the rules? Has any commission, any state
13 commission, to your knowledge established cost-based
14 rates under the FCC's rules for any rural carriers?

15 A. I believe they have in Tennessee. I think
16 there was a recent situation where the commission
17 did establish some rates in Tennessee. Certainly
18 there have been a couple of cases that were in
19 various phases of arbitration where the parties
20 reached agreement but there were arguments prior to
21 that. So I am thinking North Dakota, South Dakota,
22 some of those states.

1 Q. Other than Tennessee is your answer that
2 you are not aware that any states have set those
3 rates?

4 A. I believe possibly some other ones have
5 throughout the south, but Tennessee I am familiar
6 with at least. So Tennessee is the one I do know.

7 Q. Has the FCC established cost-based rates
8 for any rural carriers, to the best of your
9 knowledge?

10 A. No.

11 Q. And when you say that the ones that are
12 negotiated are higher than the cost-based rates,
13 what cost-based rates are you referencing?

14 A. Well, I am thinking specifically again of
15 North Dakota, South Dakota where there have been
16 various representations of what costs were versus
17 what was originally asked for. And my belief is
18 that the parties reached an agreement that was
19 probably higher than the cost-based rate.
20 Otherwise, I think generally once you are into a
21 situation where we are today where people don't see
22 it through and say this is what my costs are or it

1 is a possibility that you say, well, maybe we have
2 reached some sort of agreement here on what they
3 are.

4 Q. Are the costs that you reference in your
5 testimony costs that are established by some
6 commission or costs as Verizon Wireless views them
7 to be?

8 A. I think they would have to be costs that
9 are generated by a cost model.

10 Q. So are these -- are the rates that have
11 been negotiated in other agreements higher than the
12 cost-based rates established under models you have
13 seen?

14 A. I am aware that some models were used in
15 North Dakota and South Dakota, and I believe that
16 those rates that the model generated were less than
17 what was agreed upon prior to an arbitration
18 decision.

19 MR. MURPHY: Okay. I have no further
20 questions.

21 MR. FODOR: I have no questions, Your Honor.

22 JUDGE YODER: Mr. Lannon, do you have anything?

1 MR. LANNON: I have one follow-up question.

2

3

4

CROSS EXAMINATION

5

BY MR. LANNON:

6

Q. Mr. Clampitt, I am Mike Lannon, by the way.

7

I represent Staff. Good to see you here in

8

Illinois. You just referenced the North Dakota and

9

South Dakota commission set rates using models?

10

A. Well, I don't mean to imply that the

11

commission actually ruled on those. What I do

12

indicate is my understanding that cost models were

13

used in a presentation of arbitration and that the

14

parties settled before the commission ruled.

15

Q. I understand. Those were forward-looking

16

cost models?

17

A. Yes.

18

MR. LANNON: Nothing further, Your Honor.

19

JUDGE YODER: Mr. Schenkenberg?

20

REDIRECT EXAMINATION

21

BY MR. SCHENKENBERG:

22

Q. Mr. Clampitt, was Verizon Wireless involved

1 in a cost arbitration in Pennsylvania?

2 A. I believe, yes. I was not involved in
3 that, but one of my counterparts was.

4 Q. You are not familiar with the results in
5 that?

6 A. No.

7 MR. SCHENKENBERG: Okay, nothing further.
8 Thank you.

9 JUDGE YODER: Anything else, Mr. Murphy or
10 Mr. Fodor? I can't imagine there would be based on
11 his questioning. Mr. Clampitt, you may step down.

12 (Witness excused.)

13 MR. SCHENKENBERG: Can we go off the record for
14 just one minute?

15 JUDGE YODER: Sure.

16 (Whereupon there was

17 then had an

18 off-the-record

19 discussion.)

20 (Whereupon Verizon

21 Wireless Exhibit 6 was

22 marked for purposes of

1 identification as of
2 this date.)

3 MR. SCHENKENBERG: Verizon Wireless would call
4 Mr. Don Wood as its next witness.

5 JUDGE YODER: Please proceed, Mr. Schenkenberg

6 DON J. WOOD
7 called as a Witness on behalf of Verizon Wireless
8 and its constituent companies, having been first
9 duly sworn, was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. SCHENKENBERG:

12 Q. Can you state your full name for the
13 record, Mr. Wood.

14 A. Yes, my name is Don J. Wood.

15 Q. And what's your business address?

16 A. 30,000 Mill Creek Avenue, Suite 395,
17 Alpharetta, A-L-P-H-A-R-E-T-T-A, Georgia.

18 Q. Do you have before you what is marked as
19 Supplemental Rebuttal Testimony of Don J. Wood on
20 behalf of Verizon Wireless dated November 16, 2005,
21 amended December 9, 2005? I am sorry, that's the
22 wrong one. I apologize. I know we did this in

1 deposition.

2 Let me start over. Mr. Wood, do you have
3 what's been marked as Verizon Wireless Exhibit
4 Number 2 in the top left corner and labeled as
5 Rebuttal Testimony of Don J. Wood on behalf of
6 Verizon Wireless, November 4, 2005, amended December
7 9, 2005?

8 A. Yes, I do.

9 Q. And is that a document that you prepared
10 for filing in this case?

11 A. Yes, it was.

12 Q. Can you identify the schedules that are
13 associated with that document?

14 A. There are nine schedules. Do you want me
15 to just describe each one?

16 Q. No, is it --

17 A. There are nine schedules attached to that
18 testimony.

19 Q. Is it DJW-1 through DJW-9?

20 A. That is correct.

21 MR. SCHENKENBERG: And, Your Honor, we did file
22 a verification for this document yesterday on

1 e-Docket.

2 JUDGE YODER: Correct.

3 Q. Mr. Wood, if I asked you the questions
4 contained in Verizon Wireless Exhibit Number 2
5 today, would your answers be the same?

6 A. Yes, they would.

7 Q. I would move the admission of Verizon
8 Wireless Exhibit Number 2 including Schedules
9 Exhibit 1 through 9?

10 JUDGE YODER: That's Exhibit 2 as amended
11 December 9?

12 MR. SCHENKENBERG: Right, because it was filed
13 on December 9.

14 JUDGE YODER: Any objection, Mr. Lannon?

15 MR. LANNON: None from Staff, Your Honor.

16 JUDGE YODER: Any objection?

17 MR. MURPHY: No.

18 MR. FODOR: No objection.

19 JUDGE YODER: All right. Exhibit 2 as amended
20 plus and Schedules DJW-1 through 9 will be admitted
21 into evidence in this docket.

22 (Whereupon Verizon

1 Wireless Exhibit 2 with
2 Schedules DJW-1 through
3 DJW-9 were admitted
4 into evidence.)

5 BY MR. SCHENKENBERG:

6 Q. Mr. Wood, do you have what is marked as
7 Verizon Wireless Exhibit Number 3 and labeled
8 Supplemental Rebuttal Testimony of Don J. Wood on
9 behalf of Verizon Wireless, November 16, 2005,
10 amended December 9, 2005?

11 A. Yes, I do.

12 Q. And does that document have any schedules
13 associated with it?

14 A. Yes, there are four schedules, DJW-10, 11,
15 12 and 13.

16 Q. And was the DJW-11 amended? Was there an
17 amended DJW-11 that was part of this latest filing?

18 A. Yes, the Schedule DJW-11 that was filed on
19 November 9 with this testimony is the amended
20 version.

21 Q. December 9?

22 A. Yes.

1 Q. And was this document prepared by you or
2 under your custody and control?

3 A. Yes, it was.

4 Q. And if I asked you these questions, would
5 your answers be the same?

6 A. Yes, they would.

7 MR. SCHENKENBERG: And, Your Honor, a
8 verification was filed for this again yesterday on
9 e-Docket. I would move the admission of Verizon
10 Wireless Exhibit Number 3, including DJW-10, amended
11 DJW-11, DJW-12 and DJW-13.

12 JUDGE YODER: Any objection to the admission of
13 Exhibit 3 and Schedules DJW 10, 12, 13 and 11 as
14 amended, Mr. Lannon?

15 MR. LANNON: None from Staff, Your Honor.

16 JUDGE YODER: Mr. Murphy?

17 MR. MURPHY: No, Your Honor.

18 JUDGE YODER: Mr. Fodor?

19 MR. FODOR: No objection.

20 JUDGE YODER: That Exhibit 3 and the four
21 schedules with the one as amended will be admitted
22 into evidence in this docket.

1 (Whereupon Verizon
2 Wireless Exhibit 3 with
3 Schedules DJW-10, 11
4 Amended, 12 and 13 was
5 admitted into
6 evidence.)

7 BY MR. SCHENKENBERG:

8 Q. Do you have what's been marked or what is
9 labeled as Verified Reply Testimony of Don J. Wood
10 on behalf of Verizon Wireless dated November 9,
11 2005?

12 A. December 9, yes.

13 Q. And is that improperly labeled up in the
14 right-hand corner as Verizon Wireless Exhibit Number
15 3?

16 A. Yes, sir.

17 MR. SCHENKENBERG: That's my mistake. I
18 apologize, Your Honor. This was e-filed on Friday
19 but if we can mark that as Exhibit Number 5 which
20 would be the next in order.

21 JUDGE YODER: Okay. So we are going to switch
22 the one to later?

1 MR. SCHENKENBERG: If that's okay.

2 Q. Mr. Wood, was this document prepared by
3 you?

4 A. Yes, it was.

5 Q. And if I asked you these questions today,
6 would your answers be the same?

7 A. Yes, they would.

8 Q. Are there any schedules to that document?

9 A. There are no schedules to this one.

10 MR. SCHENKENBERG: I would move the admission
11 of what's now been marked as Verizon Wireless
12 Exhibit Number 5.

13 JUDGE YODER: Any objection to Verizon Exhibit
14 5, Mr. Lannon?

15 MR. LANNON: None from Staff, Your Honor.

16 JUDGE YODER: Mr. Murphy?

17 MR. MURPHY: No, Your Honor.

18 JUDGE YODER: Mr. Fodor?

19 MR. FODOR: No objection.

20 JUDGE YODER: What is now changed and is marked
21 as Verizon Wireless Exhibit Number 5, somehow we
22 will reflect that on e-Docket, will be admitted into

1 evidence in this docket.

2 (Whereupon Verizon Wireless Exhibit 5

3 was admitted into

4 evidence.)

5 BY MR. SCHENKENBERG:

6 Q. Mr. Wood, have you had an opportunity to
7 review Mr. Hendricks' testimony filed this past
8 Friday regarding discussions he had with a Nortel
9 representative?

10 A. Yes, sir, I have.

11 Q. Have you had an opportunity to review what
12 was marked as JPH-24?

13 A. Yes, I have.

14 Q. With regard to how switch costs are caused,
15 does this letter suggest that a Nortel DMS-10 as
16 costs that are caused differently from the kind of
17 switches that were at issue in the prior case that
18 led to the total report you reference in this
19 testimony?

20 A. The answer is no, but I don't have a copy
21 of JPH-24 in front of me. Borrow the Judge's copy.
22 The answer is no, it is not different.

1 Q. Okay. I am sorry. In your opinion --
2 well, can you compare what the letter says about how
3 Nortel switch costs are incurred with what
4 Mr. Hendricks characterizes the letter as saying in
5 his testimony?

6 A. I will try. What Mr. Hendricks says,
7 starting I guess about line 548, it is his
8 understanding that the statement, which I guess is
9 this letter, will explain that every component of
10 Nortel's DMS-10 switch is impacted by the volume of
11 switch traffic, thereby indicating that the entire
12 switch is usage sensitive and thus supporting an
13 input value of one instead of a default value of
14 .07, which I believe should be .7, used in the
15 development of the Petitioners' proposed rate.

16 And in fact I have read this several times
17 through last night and it actually doesn't say that
18 at all. It says that there are two ways to exhaust
19 theoretically the capacity of a switch. One relates
20 to total traffic handling capacity which is in the
21 first paragraph and then the second is with a line
22 port. It says to a switch network port.

1 What this really says is, as I read it,
2 exactly consistent with what the Commission said in
3 Order Number 00-0700, and that is it is certainly
4 theoretically possible to exhaust a switch based on
5 capacity. It is more likely that it will be
6 exhausted based on ports. And as I said in my
7 testimony, certainly the Petitioners had the
8 opportunity to demonstrate a capacity constraint,
9 but they haven't chosen to do that and this letter
10 doesn't do that. It just simply really identifies
11 the two ways that theoretically a switch could be
12 exhausted.

13 Q. There was a discussion that I had with
14 Mr. Hendricks earlier related to busy hour
15 assumptions. Were you in the room for that
16 discussion?

17 A. Yes, sir, I was.

18 Q. And there was a reference to a page in the
19 portfolio of inputs filed that identified busy hour
20 usage. Do you recall that?

21 A. Yes.

22 Q. And do you recall what that usage amount

1 was for switches that would serve a thousand lines a
2 month?

3 MR. MURPHY: Excuse me. Your Honor, I want to
4 state an objection. I think we are getting beyond
5 the direct examination that you were going to allow
6 on the letter in that statement.

7 JUDGE YODER: Can you ask him about his
8 testimony? I think I will sustain the objection.

9 BY MR. SCHENKENBERG:

10 Q. Do you have before you, Mr. Wood, two pages
11 that are from Nortel's website?

12 A. Yes, sir.

13 Q. And can you identify --

14 JUDGE YODER: Excuse me, let me get that page
15 back before it gets lost in the shuffle and I have
16 to hunt for it.

17 Q. Can you identify what these two pages are?

18 A. Yes. These are two printouts of two pages
19 from the Nortel.com website and in fact at the
20 bottom, across the bottom of the page, you see the
21 address, the web address for these two pages.

22 Q. And they relate to the DMS-10 Nortel

1 product?

2 A. Both of them relate specifically to DMS-10.

3 MR. SCHENKENBERG: Your Honor, I ask that these
4 be marked as Verizon Wireless Exhibit 6. I had it
5 marked as 5 during the break. If we could have
6 those marked as Exhibit 6, I would move the
7 admission of that Exhibit 6.

8 MR. MURPHY: Your Honor, may I voir dire the
9 witness?

10 JUDGE YODER: Yes.

11 VOIR DIRE

12 BY MR. MURPHY:

13 Q. Mr. Wood, my name is Joe Murphy. I have
14 spoken before. I represent four Petitioners in this
15 case.

16 A. Yes, sir.

17 Q. I believe, and let me ask you to verify
18 this, that Exhibit 6 as it has been marked is made
19 up of two pages. The first one is titled at the top
20 "Nortel: Products: DMS-10 Carrier Class Switching
21 Systems: DMS-10 Configurations," and the second page
22 is captioned at the top "Nortel: Product: DMS-10

1 Carrier Class Switching Systems: Overview." Have I
2 ordered them correctly?

3 A. Yes.

4 Q. And I will refer to those as page 1 and
5 page 2?

6 A. Sure.

7 Q. On page 1 there appears to be printing over
8 the side of the page. Do you see that on your
9 version?

10 A. Yes.

11 Q. So I guess it is not clear to me what the
12 rest of the page is and I will just make that
13 observation for now unless you have some contrary
14 observation.

15 A. I can tell you what's there, if you would
16 like.

17 Q. I may ask you to do that. But before we
18 get there, you said that the URL addresses are at
19 the bottom of the page. You notice at the bottom of
20 those pages at the end of the URL before the print
21 date there is a dot dot dot?

22 A. Yes.

1 Q. Do you know what that refers to?

2 A. It probably refers to the fact that this is
3 truncated at the end. So I think to find these,
4 what you would need to do is go into
5 <http://products.nortel.com>. And if you wanted to go
6 further, you could do the go and either the product
7 is `assoc.jsp` or the product underscore content `jsp`.
8 Either one of those is going to get you to these
9 pages.

10 Q. And it is your belief that if I put in a
11 the characters up to the dot dot dot that I could
12 actually get something back from which I could find
13 these pages?

14 A. No. If you go all the way through where
15 the dot dot dot is, you get -- I am sure there is a
16 technical name for the garbage out there, but you
17 don't need all that. In fact, you would create a
18 problem if you would put all that in. You need to
19 truncate this. Actually, I believe if you truncate
20 each address before the question mark, you will have
21 a reliable indicator. I actually got to both pages
22 just by going to <http://products.nortel.com> and it

1 was pretty straight forward then at that point where
2 to find the DMS information.

3 Q. But the URL address down there is basically
4 incomplete, right, as presented on this page?

5 A. Well, I guess, yes and no. There is some
6 additional information that could go out to the
7 right hand of this string, but you don't need that
8 information to direct -- to be directed directly to
9 this page, I don't believe.

10 Q. And am I correct that page 1 appears to
11 have been printed today and page 2 was printed last
12 May?

13 A. It looks like there is a December 12 which
14 I guess is yesterday on page 1 and a May 3 date on
15 page 2.

16 Q. Is it your understanding that that would
17 indicate that page 2 is printed out in May?

18 A. Yes. The footer is not actually part of
19 the html content. It is added on by Windows when
20 the site is actually captured.

21 MR. VOIR DIRE: That's all my voir dire.

22 JUDGE YODER: Anything, Mr. Lannon, you want to

1 inquire about?

2 MR. LANNON: Nothing from me, Your Honor.

3 JUDGE YODER: Mr. Schenkenberg?

4 MR. SCHENKENBERG: Nothing.

5 JUDGE YODER: You are moving to admit...

6 MR. SCHENKENBERG: I am moving to admit, yes.

7 JUDGE YODER: ..these as a Joint Exhibit 6.

8 Mr. Lannon?

9 MR. LANNON: Staff has no objection, Your
10 Honor.

11 JUDGE YODER: Mr. Murphy?

12 MR. MURPHY: And I have two objections. One of
13 them the witness could probably fix and that is that
14 we do not have a complete page 1 and my -- let me
15 just state it this way. I have no objection subject
16 to having an opportunity to raise an objection if
17 page 1 when fully viewed raises some other factual
18 issue.

19 And then my only other objection to Exhibit
20 6 is because the URLs are incomplete and because
21 page 2 I am not sure I could recreate because of its
22 print date, I am not really sure what these are and

1 where they come from, although I have no doubt they
2 appear to be from Nortel and I am not really
3 questioning that. But I am not sure I could find
4 them and recreate them.

5 JUDGE YODER: Mr. Fodor, anything?

6 MR. FODOR: Nothing further, Your Honor.

7 JUDGE YODER: Well, I am going to allow them
8 in. We allowed in the letter to Mr. Hendricks
9 discussing the DMS-10 system, and the parties can
10 view these as to whether they help their
11 understanding of that or my understanding of that.
12 So I will allow them in over the objection. If
13 there is some later renewed objection or something,
14 you can bring that up.

15 MR. MURPHY: Thank you, Your Honor.

16 (Whereupon Verizon
17 Wireless Exhibit 6 was
18 admitted into
19 evidence.)

20 BY MR. SCHENKENBERG:

21 Q. Mr. Wood, look at the bottom of the text on
22 page 1. There is a line that says Standard

1 Configuration. I would just like you to explain
2 what that means and how that impacts the
3 representation in Mr. Hendricks' testimony that all
4 switched costs are dependent on usage?

5 MR. MURPHY: Your Honor, I would like to
6 interpose an objection because the issue about the
7 number of lines capacity, that line of questions was
8 directed to Mr. Hendricks but it was not directed
9 towards his conversations with Nortel, as I recall.
10 And, therefore, I believe that this is beyond the
11 scope of the additional direct that you are
12 allowing.

13 MR. SCHENKENBERG: Your Honor, if I may, what a
14 Nortel representative has said as described by
15 Mr. Wood is there are two ways to exhaust. One is
16 through lines and one is through ports. We believe
17 that Mr. Wood can explain when you say a standard
18 configuration is 20,000 lines, how does that impact
19 the question of whether you are going to exhaust
20 based on usage which is exactly what this letter is
21 about.

22 JUDGE YODER: I am going to allow a limited

1 inquiry into this because it was raised at the late
2 date of the Nortel letter, but a limited inquiry
3 onto that last lines basically there, if that's able
4 to be done.

5

6 BY MR. SCHENKENBERG:

7 Q. I have asked maybe the only question I want
8 to ask?

9 A. Well, there are -- actually there is a
10 reference on both pages. Nortel actually describes
11 the capacity of the system in terms of lines. They
12 don't describe it in terms of processing, in terms
13 of system call seconds or busy hour call attempts or
14 the like. The last line on what we have marked as
15 page 1 refers to line capacity.

16 Perhaps more telling is on page 2 under the
17 header Key Features, the second bulletpoint which
18 talks about the switch's scaleability, it talks
19 about growth in terms of small to mid-size line
20 systems because that's what's scalable in this
21 system, is the line ports rather than the processor.
22 The standard size processor on this switch, up to

1 1,000 lines, already has the capacity as
2 Mr. Hendricks pointed out in the Hatfield Inputs
3 Portfolio to handle ten busy hour call attempts per
4 line per hour from all lines. So you wouldn't
5 exhaust that capability either in call attempts or
6 in system call seconds before exhausting the
7 capacity of the lines.

8 And that's ultimately what drives cost
9 causation under the FCC rules, what capacity will be
10 exhausted. I believe that's consistent with the
11 Commission's order in 00-0700.

12 Q. And having reviewed the letter from a
13 Nortel representative that Mr. Hendricks testified,
14 have you changed your opinion as to how the
15 Commission ought to address the allocation of
16 switched costs?

17 A. No, I think that the letter actually
18 validates exactly what the Commission concluded back
19 in 2002, and that is there are two theoretical
20 possibilities. One is more likely than the other,
21 and a carrier that wants to have a rate structure
22 and show cost causation under the FCC rules, that

1 there is a capacity constraint on usage, has the
2 opportunity to do that, but they also have the
3 obligation to do that.

4 The Petitioners haven't tried to do that
5 here. And filing a letter that says a switch can be
6 designed with a finite minute of use processor
7 capacity doesn't make that demonstration, either.

8 MR. SCHENKENBERG: Nothing further. And I
9 would tender the witness for cross examination. I
10 believe you have all the exhibits admitted.

11 JUDGE YODER: Mr. Murphy or Mr. Fodor, whoever
12 wishes to go first?

13 CROSS EXAMINATION

14 BY MR. MURPHY:

15 Q. First of all, in your verified statements
16 you refer to Tier 1 carriers. Can you define what a
17 Tier 1 carrier is, please?

18 A. Under the FCC rules I believe it is greater
19 than 100,000 lines or greater than some threshold of
20 revenue. I don't remember the revenue threshold.

21 Q. And you also make reference in your
22 testimony to a Tier 1 area, I believe, or maybe that

1 was something that came up in our deposition. But
2 can you define what a Tier 1 area is?

3 A. It's not -- you would have to show me some
4 context. That's not really a term by itself that I
5 have used, I don't think. I mean, there is
6 certainly an area served by a Tier 1 carrier, but I
7 don't know what a Tier 1 area is without a context.

8 Q. And I didn't put a page reference so I
9 won't do that. How many default inputs are there in
10 the HAI model?

11 A. It depends on whether you count the
12 pre-processed soil type inputs. There are several
13 hundred user-define, and it changed by version, that
14 are listed in the inputs portfolio. There are many
15 more than that if you go back to the underlying
16 geographic data and geological data that's in the
17 pre-processing log.

18 Q. And in case it affects your answer, when I
19 say the HAI model, I am referring to HAI 5.0A. Does
20 that change the answer you just gave me?

21 A. No.

22 Q. And in your experience you have run the HAI

1 for various Tier 1 companies?

2 A. Yes, I have.

3 Q. And in your experience when running the HAI
4 for a Tier 1 company approximately how many of the
5 default values do you change or have you changed?

6 A. Well, I guess depending on the run it has
7 been as few as probably 10 or 12 and probably as
8 many as, subject to recall, probably 80 or so, quite
9 a few. But it varies fairly significantly by when
10 you put the money in.

11 Q. Mr. Wood, do you recall that we took your
12 deposition in this case?

13 A. Yes.

14 Q. And we all showed up at the Commission
15 offices in Chicago with a court reporter much as we
16 have here. And at that deposition I asked you on
17 average how many of the default inputs did you
18 adjust in order to run it to your satisfaction,
19 referring to the HAI model -- and, excuse me, I will
20 go back a couple of questions so you have some
21 context.

22 "Q. How many Tier 1 carriers have you run

1 it for?

2 A. Portions of the area of Bell South,
3 the former Bell Atlantic, the former Quest areas,
4 the former GTE areas and, trying to remember it, it
5 corresponds very closely to the list of states,
6 proceedings that we went through. I believe that's
7 all.

8 Q. On average how many of the default
9 inputs did you adjust in order to run it to your
10 satisfaction?

11 A. 30 or 40 maybe, depending on the run
12 and the state."

13 Do you recall me asking you those questions
14 and you giving those answers?

15 A. Yes, yes.

16 Q. And are those correct?

17 A. Yes, I believe they are. I think today you
18 asked me the range and I think the range is probably
19 -- could be as low as 10 to 12, could be as high as
20 70 or 80. But I think as an average, 25 or 30 is
21 probably about right.

22 Q. In your verified statements you refer to

1 reviewing purchase contracts for switches. Do you
2 recall that testimony?

3 A. Yes.

4 Q. For what companies -- and by the company I
5 mean the company purchasing this switch. For what
6 companies have you reviewed those contracts?

7 A. Bell South and SBC.

8 Q. Are those what you defined earlier as a
9 Tier 1 company?

10 A. Yes.

11 Q. When you were referred to JPH-24, the
12 letter from Nortel this afternoon by your own
13 counsel, he asked you something about whether this
14 was the sort of testimony that was reviewed by the
15 Commission in Docket 00-0700. Do you recall that
16 question?

17 A. No, sir, I don't recall him asking that.

18 Q. Well, let me ask you something different.
19 Were you involved in the docket you referenced,
20 00-0700?

21 A. I was not involved.

22 Q. And have you reviewed the testimony that

1 was put before the Commission in that case?

2 A. I have reviewed the order. I have not
3 reviewed the testimony.

4 Q. So is it fair to say that you don't know
5 other than what is directly referenced in the order
6 what evidence was put before the Commission in that
7 case?

8 A. That's correct.

9 Q. And in the -0700 case, I will call it, the
10 same case that we were discussing?

11 A. Yes.

12 Q. Was the choice before the Commission
13 whether to allow SBC Ameritech to have switching
14 costs or no switching costs?

15 A. Well, they have switching costs. What the
16 Commission says in its order doesn't change whether
17 they have costs.

18 Q. Well, does the Commission allow them to
19 charge for switching costs in some fashion?

20 A. They allowed them to recover those costs on
21 a non-traffic sensitive basis, based on a conclusion
22 that I understand that there was not a traffic

1 sensitive cost causation associated with those
2 costs.

3 Q. So in that case, while they did not recover
4 on a minute of use basis or a minute of use basis,
5 they did recover the switching costs according to
6 the Commission order?

7 A. That's right. The question there for
8 unbundled switching was how to charge for some
9 collection of switching. The question here is are
10 there incremental costs that are caused by the
11 termination of these calls. And if the costs in
12 terms of causation are non-traffic sensitive, then
13 the answer to is there increment cost is no. And
14 that's what would be included here. It is not a
15 question of do the companies get to recover the
16 cost. They recover them through some structure or
17 another. The question is whether there is an
18 incremental cost and an incremental charge that
19 should be applied to reciprocal compensation.

20 Q. Earlier today there were some questions
21 from Mr. Schenkenberg to Mr. Hendricks with regard
22 to the Nortel letter that had to do with whether a

1 remote were included in the DMS carrier class
2 switching system. Do you recall those questions?

3 A. I think he asked him whether there was
4 processing capability in the remote, was the
5 question that I recall.

6 Q. I don't recall the question that way so I
7 guess I can't go forward with you. I have one other
8 question that I wanted to go back, and I am sorry I
9 am back at your deposition again and I apologize for
10 skipping forward and back. I am now carrying on
11 from the last place where I ended the reference to
12 the testimony. Your last answer that I had read was
13 "30 or 40 maybe, depending on the run and state."
14 The next question:

15 "Q. And do you recall what the most that
16 you ever adjusted were for a particular company?

17 A. No, I don't.

18 Q. Do you recall what the fewest is that
19 you adjusted?

20 A. No, I don't. They would all have been
21 in that 30 to 40 range."

22 Do you recall me asking those questions and

1 giving those answers?

2 A. I do, and I gave those answers subject to
3 recall, as I have today. And the answer is it
4 varied significantly by state and income.

5 MR. MURPHY: Okay, I don't have any further
6 questions for you. Mr. Fodor?

7 JUDGE YODER: Mr. Fodor, anything further?

8 MR. FODOR: I have just a few, if I may,
9 please.

10 CROSS EXAMINATION

11 BY MR. FODOR:

12 Q. Good afternoon, sir. I won't introduce
13 myself because I think we met before at the
14 deposition. Let me just jump right in.

15 A. Yes, sir.

16 Q. Have you ever been to Marseilles, Illinois?

17 A. I have not.

18 Q. Do you know how many electric companies
19 there are that serve Marseilles, Illinois?

20 A. Do not.

21 Q. Do you know how many cable companies there
22 are that serve Marseilles, Illinois?

1 A. Do not.

2 Q. Have you ever been to Metamora, Illinois?

3 A. Not to my knowledge.

4 Q. Do you know how many electric companies

5 there are that serve Metamora, Illinois?

6 A. No.

7 Q. Do you know how many cable companies there

8 are that serve Metamora, Illinois?

9 A. No.

10 Q. Have you ever been to Grafton, Illinois?

11 A. Not to my knowledge.

12 Q. Do you know how many electric companies

13 there are that serve Grafton, Illinois?

14 A. No, sir.

15 Q. Do you know how many cable companies there

16 are that serve Grafton, Illinois?

17 A. No, sir.

18 Q. Have you ever been to any of Mr. Murphy's

19 clients' locations either?

20 A. Not to my knowledge.

21 Q. Do you know how --

22 A. I have driven end to end and crosswise

1 through the state, but I don't know that I have
2 stopped in any of those areas.

3 Q. I think during the deposition you indicated
4 you spent some time in Chicago and Rockford and that
5 would probably be the limit of your stops?

6 A. Those are my stops because that's where my
7 wife has family. That's right.

8 Q. And to your knowledge Mr. Murphy doesn't
9 represent anybody that serves Rockford?

10 A. I don't believe he does.

11 Q. Or Chicago?

12 A. I don't believe so.

13 Q. At least not in this proceeding?

14 A. Well, that's my understanding.

15 Q. Nor do I, right? I asked you about my
16 specific three.

17 A. I will accept your representation.

18 Q. Do you have an understanding from the
19 discovery material received about the size of the
20 Petitioners' access line counts?

21 A. I have somewhere a list of access line
22 counts. They range a bit.

1 Q. I really don't want to know specifically.
2 Do you have a general sense of how large they are?

3 A. Low hundreds to low thousands is a rough
4 range.

5 Q. Okay. I am going to read this which I
6 don't normally do. Have you ever developed
7 forward-looking rates for transport and termination
8 for a rural telephone company with 500 or fewer
9 access lines?

10 A. No, because I don't think there is a model
11 in existence to do that, that's capable of doing
12 that.

13 Q. Have you ever developed forward-looking
14 reciprocal compensation rates for transport and
15 termination for a rural telephone company with
16 access lines ranging between 500 to 1,000?

17 A. Same response, I don't think there is a
18 model that is in existence today that could be used
19 for that. So, no.

20 Q. Have you ever developed forward-looking
21 reciprocal compensation rates for transport and
22 termination for a rural telephone company of fewer

1 than 10,000 access lines?

2 A. Same response.

3 Q. If I can switch your attention to the thing
4 that we have been spending our time on today,
5 switching rates?

6 A. Yes, sir.

7 Q. Am I correct that your position is that the
8 switching rate should be zero?

9 A. It is my position that pursuant to the FCC
10 rules the switching rate has to be based on costs
11 that are incremental to the tasks the Petitioners
12 are asked to perform when they transport and
13 terminate a call. If there is no incremental
14 traffic sensitive cost, then there is no basis for a
15 traffic sensitive rate.

16 Q. Yes or no, if your proposal in this
17 proceeding is adopted, Verizon Wireless will pay
18 zero for switching, for terminating the call?

19 A. That's correct because it will cause no
20 incremental costs.

21 Q. How will the rural LECs recover the costs
22 of switching under your proposal?

1 A. Exactly the same way that they do now
2 because in terms of the task of completing Verizon's
3 call, there are no new costs created. So there are
4 no new costs to be recovered. So in terms of the
5 costs that you have, whether or not you return any
6 of these calls for Verizon, you would recover those
7 in whatever manner that you recover them today. No
8 incremental costs, no incremental charge is the
9 choice.

10 Q. Oh, I do have some more, I apologize. I
11 was almost done with you. I think at the deposition
12 I asked you if you could identify what other models
13 are out there for developing reciprocal compensation
14 rates for transport and termination?

15 A. I generally recall that we talked about
16 that, yes.

17 Q. Okay. I can show you the transcript if you
18 need to. But if you can remember, that would be
19 fine, too. Can you tell us how many are there and
20 can you name them, the primary models recognized in
21 the --

22 A. Oh, I am sorry, I thought you were just

1 asking if I remembered we talked about that. I
2 guess what's known as Telcordia, what used to be the
3 Bellcore switching cost information systems, SCIS or
4 SCIS, is one of the primary switching models. Some
5 of the Tier 1 LECs, RBOCs, have developed their own
6 switching models in the last few years based on
7 SCIS, rather than continue to pay Telcordia for it.
8 So there are some variations on it. SBC has a
9 variation on the SCIS, too, in terms of a switching
10 model.

11 In terms of forward-looking network models,
12 I believe I mentioned NCAT, another Bellcore model.
13 I am not sure I remember any others right off hand.

14 Q. I think I have lost a page. Bear with me
15 just a second, Your Honor. My colleagues tell me
16 that you have remembered everything today that you
17 had remembered on the day of the deposition.

18 A. In some ways that's reassuring to me.

19 Q. So if I can go back to the first model you
20 mentioned and you called it Telcordia and then you
21 called it a couple other things?

22 A. Well, it's a Telcordia sponsored model, but

1 it says CIS.

2 Q. Well, I have a very simple question. What
3 would it cost my client, Marseilles Telephone
4 Company, to obtain the rights to use that model?

5 A. Nothing.

6 Q. Have you used that model in the past?

7 A. Yes.

8 Q. Do you know what it costs you or your firm
9 to acquire the right to use that model?

10 A. I didn't have to with this one. I used it
11 -- it was being presented in the context of
12 regulatory proceedings where the parties to the
13 proceeding had the opportunity to run the model.

14 Q. Is it available for free?

15 A. Is it available for free, no, it is not
16 available for free.

17 Q. Can I go to Best Buy and buy it off the
18 shelf for 49.99?

19 A. No.

20 Q. Does it cost substantially more than that?

21 A. It would cost me as a non-ILEC
22 substantially more than that. And in terms of what

1 it would cost one of your clients, I don't know.

2 That is something that Telcordia holds pretty close
3 in terms of their ILECs and things.

4 Q. Do you remember responding to this line of
5 questioning during the deposition?

6 A. Yes.

7 Q. Do you remember what you told us then?

8 A. I remember that I told you that I didn't
9 know what it would cost the ILECs. But when I tried
10 to license it as a non-ILEC and as someone who was
11 not working for an ILEC at the time, Telcordia
12 quoted me a very large number, like a million dollar
13 number, primarily to get rid of me, I suspect. But
14 again I don't know what the licensing dues are for
15 the ILEC because they don't disclose that at all.

16 Q. Do you have any way of knowing what the
17 number would be if you were an ILEC?

18 A. No, I have no way to know. Like I said,
19 Telcordia holds that information very, very close.

20 Q. Why do you believe it would cost you more
21 or less if you were an ILEC?

22 A. Why do I believe it would cost me?

1 Q. Well, you have responded to my question by
2 saying we have a ballpark for or what it would have
3 cost you as a non-ILEC?

4 A. Or what was quoted, that's right.

5 Q. There is an underlying theme there where
6 you are suggesting it might cost a different amount
7 if you were representing an ILEC. What's the basis
8 of --

9 A. Well, I know for a fact that it does cost
10 something different to an ILEC, because when I was
11 doing service costs for Bell South, I was involved
12 with what was at the time Bellcore in terms of they
13 had not only this model but several others. See if
14 I can remember them. Cards/SCADS,
15 C-A-R-D-S/S-C-A-D-S and also NCAT NSA and at least
16 one other digital data too many. And I had an
17 ongoing relationship with the Bellcore people at
18 that time and it was very much common knowledge that
19 there was a company-specific charge. It is akin to
20 the secrecy that surrounds how much switching
21 manufacturers charge each ILEC. They charge
22 different amounts and they are very careful about

1 not letting one company know what the other is
2 paying. But in my contact with Bellcore it was very
3 clear that there was a different price by ILEC
4 including a number of factors, including if that
5 ILEC was licensed from Bellcore.

6 Q. Any idea whether the difference would move
7 the decimal point to a range that a small company
8 would reasonably afford?

9 A. That I don't know.

10 MR. FODOR: That's all the questions I have.

11 JUDGE YODER: Mr. Lannon, do you have any
12 questions?

13 MR. LANNON: Yes, I have a few questions.

14 CROSS EXAMINATION

15 BY MR. LANNON:

16 Q. Good afternoon, Mr. Wood. Welcome back to
17 Illinois.

18 A. Thank you.

19 Q. Different location this time. I have a few
20 questions in three separate areas. The first area I
21 would like to address is the issue of averaging
22 multiple ILECs' costs.

1 A. Yes, sir.

2 Q. And if you would turn to your rebuttal
3 testimony, or if you recall, starting on roughly
4 page 11 through page 15 you address the Petitioners'
5 use of an average to derive their proposed
6 reciprocal comp rate, correct?

7 A. I specifically tried to respond to
8 Mr. Hendricks' assertion that by averaging, the
9 error will somehow be eliminated, and that's just
10 not the case.

11 Q. Okay. So I take it then that it is your
12 opinion that an average, a multiple ILEC costs are
13 inappropriate under the '96 Act and the FCC rules,
14 would that be a correct presumption?

15 A. Yes, sir, I am sorry. In fact, if you go
16 on, starting on page 1 carrying on to 13, I cite
17 specifically to the Act and the part of 252(d)(2)
18 that refers to how rates must be set based on costs
19 associated with the transport and termination on
20 each carrier's network facility which I believe
21 would preclude this averaging process.

22 Q. Right. Thanks for pointing that out. But

1 if the Commission were to disagree with you
2 regarding using an average of multiple ILEC costs,
3 would you have an opinion to offer the Commission on
4 the most appropriate set of ILEC costs that should
5 be averaged if the Commission is going to use an
6 average? And by the most appropriate set, I will
7 give you a few examples and if you can think of any
8 others, that would be fine, too.

9 A. Sure.

10 Q. One set would be, probably the obvious, is,
11 one, the Petitioner companies. Another set would be
12 perhaps a larger set of small rural ILECs. Any
13 other set that you can think of that you would think
14 would be most appropriate if the Commission was
15 going to use an average?

16 A. Understood, with that caveat.

17 Q. Right.

18 A. Let me go backwards, I think, from your
19 examples. The larger group of companies is the one
20 that I essentially would not use because that is
21 going on, even if accurately calculated, going to be
22 least relevant to the costs that should be under

1 consideration. I guess taking it down to the list
2 of member companies or Petitioner companies, I would
3 look at that group but then I would want to put it
4 it through one more filter, if you will, and that is
5 looking at the cost model that I was using, looking
6 at the results that I was getting. If there was a
7 result that was a pure outlier based on how the
8 model was calculating the cost, if the model had a
9 flaw that was triggered by that company's
10 configuration, that's probably a company that I
11 would remove from this data set. So I guess the
12 most precise answer to your question is that subset
13 of Petitioner companies for which I believed I had
14 the most reliable cost data, would be my answer to
15 which ones, if there were going to be averaging.

16 Q. Okay. Again I am a little -- I got a
17 little confused with the reference to the outlier.
18 That would be a statistic within the set of costs
19 that would be out of line with the rest of the
20 costs?

21 A. Yes, and I will put one more tag on that.

22 Q. Okay?

1 A. And that is based on what I knew about how
2 the model calculated cost and what I knew about that
3 company's characteristics, that I was able to
4 identify that there was a problem with the model
5 that was specific to that company, that would cause
6 us to remove that from the data sets. In fact, we
7 have such a company, LaHarpe in this case. That is
8 when you look at the cost results, whether they are
9 mine, Mr. Hendricks' or a company's, it is an
10 outlier. It also has a unique network configuration
11 that causes or really exaggerates a particular error
12 in the HAI that causes it to be an outlier. Knowing
13 that, I would not want to include that particular
14 data point in the average because I know there is a
15 problem, I know why there is a problem and that's
16 when I would want it removed from that set.

17 Q. Okay, thanks a lot. Let's move on to a
18 different subject here. Actually, before I move on,
19 one last question on the average and once again
20 assuming hypothetically that the Commission was
21 going to use some sort of average of the
22 Petitioners' individual costs -- well, never mind, I

1 think you have already answered my last question. I
2 will withdraw that and I will move on to common cost
3 allocations.

4 I believe you have testified and you have
5 just pointed to one place where you have regarding
6 reciprocal comp requirements in the '96 Act and the
7 FCC rules and you have also referenced what we call
8 here in Illinois the SBC TELRIC or TELRIC UNE case?

9 A. Yes, sir.

10 Q. 96-0468?

11 A. I believe that's right.

12 Q. And are you familiar with the common cost
13 allocation the Commission set in the SBC TELRIC
14 proceeding?

15 A. As a percentage?

16 Q. Yes.

17 A. I am not. I would want to put out a point.
18 Based on my experience comparing percentages,
19 especially common cost allocator percentages, should
20 be done with some trepidation because it really
21 depends on what that percentage is being applied to.
22 In the case of HAI there is a lot of assignment of

1 costs that could be included in a common cost
2 allocator type percentage but have already been
3 directly assigned in the model. So you need to look
4 at, you know, by category of costs what's in and
5 what's out before you just apply the same
6 percentage. Because the base that's it's being
7 applied to could be very different, depending on how
8 costs were assigned.

9 Q. Okay. Going back to the SBC TELRIC
10 proceeding, and I take it you reviewed that order to
11 at least some degree?

12 A. Yes, sir.

13 Q. Based on your reference to it in your
14 testimony?

15 A. Yes, sir.

16 Q. Does a 20 percent cost allocation sound
17 familiar to you based upon your prior review?

18 A. I don't remember. That's probably the high
19 end of the range of typical allocators that were
20 being adopted at that time, but that could very well
21 be the number. But before I applied it, I would
22 want to know -- look at the base that it was being

1 applied to and then compare it to the base that was
2 being calculated and assigned.

3 Q. Is it your opinion that a reasonable common
4 cost allocation should be applied to the rates that
5 are going to be set in this proceeding for a
6 reciprocal comp rate?

7 A. Yes. In fact, they are -- internal to the
8 model there is such an allocation.

9 Q. And have you -- are those default inputs in
10 the model?

11 A. There are defaults for this assignment.

12 Q. Are you recommending any changes to those
13 defaults?

14 A. No, sir, I am not. But again what's
15 essential is looking at -- when we talk about common
16 costs as a broad term, I probably did literally 40
17 or 50 of these early arbitrations in UNE cases
18 around the country and there was a very wide range
19 of, by state and by company, what got put into that
20 common cost bucket. So in some states you will see
21 a 20 percent common allocation being applied to a
22 base of costs that didn't have a whole lot of that

1 stuff added in. Then you look at Bell South
2 actually produced a cost study where they said
3 common cost allocation should be only five percent
4 because a lot of what could have been in that common
5 cost bucket they had already assigned in the model.
6 So you really --

7 Q. Yeah, I understand what you are assigning
8 it to is just as important as the percentage you are
9 assigning?

10 A. Yes, because it depends on what you put in
11 as common versus assignment and that's a pretty
12 important comment.

13 Q. I think I will move on to the last subject
14 area. You have reviewed Staff witness Mr. Koch's
15 input changes to the HAI models, default inputs,
16 haven't you?

17 A. Yes, sir, I have.

18 Q. And what is your opinion regarding those
19 input changes Mr. Koch has recommended?

20 A. I can go back through the list. I know
21 there are some on which we agree and there were a
22 couple on which we disagreed. I think most of the

1 disagreement went to inputs that ultimately don't
2 impact the particular results, the traffic sensitive
3 common costs -- I am sorry, traffic sensitive common
4 transport costs or any traffic sensitive switching
5 costs, depending on that assignment. You know,
6 there are an awful lot of inputs that either impact
7 only local portions of local loop cost in terms of
8 feeder distribution or explicitly per line elements
9 that are non-traffic sensitive, and there were
10 several of those that we didn't agree on. But they
11 don't affect the results.

12 Q. Okay. Let's look at one specific one. I
13 think he had it numbered Number 16 in his testimony
14 and -- oops, got the wrong piece of testimony.

15 JUDGE YODER: Off the record for a second.

16 (Whereupon there was
17 then had an
18 off-the-record
19 discussion.)

20 BY MR. LANNON:

21 Q. Yes. If you could turn to page 4 and under
22 Number 15 distribution plant cable fields Mr. Koch

1 recommended an input change to a flat value of 80
2 percent. Is that a correct characterization of his
3 recommendation?

4 A. I believe that's right. That's not on
5 this.

6 Q. That's not on page 75?

7 A. I think that refers to an AT&T witness's
8 testimony.

9 Q. Yeah, I am sorry. I was confused. I
10 looked at the wrong -- I led you to the wrong
11 number. First, I would like to deal with Number 16,
12 Copper Feeder Plant Field, excuse me, and that's
13 where Mr. Koch recommended a default change of 70
14 percent to 80 percent. And you are right, we were
15 relying on an AT&T witness in the Illinois USF
16 proceeding.

17 A. That's right.

18 Q. Is it your opinion that Mr. Koch's flat
19 rock value of 80 percent is an appropriate change to
20 that default input?

21 A. It is my testimony that it will make no
22 difference at all to either the common transport or

1 the switching costs. The only way that feeder
2 inputs can impact common transport switching is for
3 a fiber feeder that is assumed to be for the route
4 that is shared with common transport. There is no
5 assumption in the model that copper feeder will ever
6 share a route with transport facilities and,
7 therefore, no way that copper feeder input
8 assumptions will impact end office transport
9 calculation tomorrow.

10 Q. And moving on to 17, in the Illinois USF
11 case once again the AT&T witness proposed to update
12 values for the inputs to reflect the fiber cable
13 prices available at that time for the fiber cable
14 investment and feeder and interoffice input. In
15 this proceeding would you recommend -- oops, that's
16 it.

17 JUDGE YODER: We will take a break here for a
18 few minutes.

19 (Whereupon the hearing
20 was in a short recess.)

21 JUDGE YODER: All right. Ready to go back on
22 the record?

1 MR. LANNON: Yes, Your Honor.

2 JUDGE YODER: And you are still sworn, Mr.
3 Wood, and I think you are still questioning,
4 Mr. Lannon.

5 BY MR. LANNON: That is correct.

6 Q. Mr. Wood, turning once again back to, it
7 would be page 25 of Mr. Koch's testimony, Number 17,
8 the fiber cable investment and feeder and
9 interoffice recommendation, could you just offer,
10 provide us with your opinion on Mr. Koch's
11 recommendation there? What he is proposing to do is
12 revert to the default values because there is no
13 evidence in the record in this proceeding that would
14 lead him to any other recommendation.

15 A. Right, and I don't have any further
16 evidence to offer you either. So that's a
17 reasonable position, I think, for him.

18 Q. Okay. Let's turn back to page 24 on 15,
19 Distribution Plant Cable Fields. I would ask you
20 the same question. Could you offer your opinion or
21 provide us your opinion on Mr. Koch's recommendation
22 here which is to update the default value to a flat

1 value of 75 percent?

2 A. It will be the same for distribution as it
3 was for copper feeder, and that is that it has no
4 impact on the cost the model calculates for
5 interoffice transport or for local switching.

6 Q. Okay, thank you. If I could just have one
7 second?

8 (Pause.)

9 If we could turn to -- no, I am sorry.
10 That's it. We have covered everything?

11 JUDGE YODER: All right. Mr. Schenkenberg, do
12 you have any?

13 MR. SCHENKENBERG: Thank you, Judge.

14 REDIRECT EXAMINATION

15 BY MR. SCHENKENBERG:

16 Q. Mr. Wood, you were asked some questions
17 about use of averages and you identified LaHarpe as
18 a company that you saw as an outlier. Can you
19 explain what it is about how the model deals with
20 the LaHarpe situation that makes it an outlier as
21 compared to the other companies?

22 A. Yes, sir, I think I can. LaHarpe has a

1 different network configuration than the other
2 companies, in that it is the only one with a host
3 and a single remote attending that host in terms of
4 its local switching infrastructure. What the model
5 does is it actually builds an OC3 fiber ring to
6 connect hosts and remotes.

7 For a large Tier 1 company with lots of
8 remotes attending a host, that's probably, you know,
9 that's a reasonable minimum size for that facility.
10 For LaHarpe with a single remote and I think less
11 than 100 lines attending that remote, that's a
12 pretty gross overbuild for what's actually needed.
13 What's actually needed is probably one or two DS1s
14 to actually be the, what's called, the umbilical
15 between the host and remote. Instead, the model is
16 building a full OC3 fiber ring with just those two
17 end points on it.

18 The next thing the model does is it
19 connects all of the either stand-alone switches or
20 hosts to the tandem that they home on with at a
21 minimum an OC3 fiber ring. It can be scaled upward
22 if the traffic demands it but in this case it

1 doesn't. We are talking about relatively low
2 traffic volumes, both between the host and remote
3 and between the host and the tandem.

4 So what we have got here is a configuration
5 that really triggers the greatest overbuild by a
6 wide margin by the model because it is actually
7 building to connect these three locations, tandem,
8 host, remote. It is building two independent
9 complete OC3 fiber rings to do that. And that's
10 obviously not what's required, given the traffic
11 volumes involved because that's the minimum size
12 facility the model constructs. For this kind of
13 configuration it just goes off the charts in terms
14 of overbuild.

15 Q. You were asked a series of questions by
16 Mr. Fodor as to whether or not you know how many
17 cable companies or electric companies are in various
18 service territories of the Petitioners. Do you
19 recall those questions?

20 A. Yes, sir.

21 Q. And I believe in your rebuttal testimony
22 you address the issue of cable and electric

1 competitors who are providers in your area starting
2 on page 38. If you can take a look at that and tell
3 me if that's the spot or if there are other spots
4 where you talk about that issue in your testimony?

5 MR. FODOR: Your Honor, while he is looking, I
6 think I will object because this is supposed to be
7 redirect, right? I asked a simple question. The
8 witness said he didn't know the answer. I don't
9 think it is appropriate to go back through and
10 recite rebuttal testimony.

11 JUDGE YODER: I am going to allow it briefly
12 based on the fact that he did somewhat in his
13 testimony address cable companies, I believe it was,
14 cable companies in sharing facilities. So I am
15 going to allow a brief foray into this.

16 BY MR. SCHENKENBERG:

17 Q. My only question would be for Mr. Wood as
18 to whether the presence or absence of a certain
19 number of cable or electric providers in these areas
20 matters to him as he makes recommendations about
21 forward-looking assumptions about sharing?

22 A. Well, it doesn't for the reason that when I

1 responded to Mr. Hendricks in this part of my
2 testimony, he suggested that HAI is assuming that
3 structures being shared by multiple entities,
4 including not just the telephone company but
5 non-telecom entities, and that's not at all what the
6 model is assuming. That's not what's implied or
7 explicit. All that is assumed is that structure
8 costs can be shared by something other than basic
9 local telephone service. That might be another
10 non-telecom service like a video service, for
11 example, that's offered by the local exchange
12 company that would pick up part of those facilities
13 or it might be a facility that is an unaffiliated
14 entity. But the model doesn't assume that there are
15 going to be electric or cable facilities placed at
16 the same time as telecom facilities. It simply
17 recognizes the fact that there may be multiple uses
18 of these facilities and that the costs should be
19 recovered over those multiple uses.

20 MR. SCHENKENBERG: Thank you. I have nothing
21 further.

22 JUDGE YODER: Any -- do you need a moment, Mr.

1 Fodor?

2 MR. FODOR: I think I do.

3 JUDGE YODER: Okay. Do you have any
4 surrebuttal testimony?

5 MR. FODOR: I think I need to recross based on
6 the redirect.

7 JUDGE YODER: Okay.

8 MR. FODOR: Mr. Murphy is looking at his book
9 so I am going to lien this way so you can see me.

10 RECROSS EXAMINATION

11 BY MR. FODOR:

12 Q. Do you have in front of you Mr. Hendricks'
13 materials from his verified statement, specifically
14 Schedule --

15 JUDGE YODER: Define material.

16 Q. Schedule JPH-1, the input portfolio, HAI
17 input portfolio?

18 A. Yes, I have my original 1998 vintage copy
19 right here.

20 MR. SCHENKENBERG: I don't believe that
21 Schedule 1 is the portfolio. Isn't Schedule 2
22 the --

1 MR. MURPHY: Yes, it is Schedule 2, JPH-2.

2 MR. FODOR: Did I identify the wrong one? I
3 apologize.

4 BY MR. FODOR:

5 Q. You said you have got an original vintage.
6 Are the page numbers going to be different?

7 A. I don't think so.

8 MR. SCHENKENBERG: If need be, I can walk mine
9 over to him.

10 A. No, the item numbers are the same.

11 Q. I am looking at page 93 and it would be
12 section number 4.4.24 and the title on the section
13 is Interoffice Structure Sharing Practice?

14 A. Yes.

15 Q. I believe in response to your attorney, a
16 question from your attorney, you were just talking
17 about the telephone company sharing the facility
18 with its deregulated self with an offering by
19 itself, a deregulated offering?

20 A. That's one possibility, yes.

21 Q. If you look at the last sentence in the
22 section that I have directed you to, is that one of

1 the items that's listed as candidates for sharing?

2 A. The sentence ends with "and others." I
3 don't think there is anything that purports here to
4 be an exhaustive list. This certainly lists some
5 unaffiliated entities that are possible sharing
6 opportunities. But in terms of what's appropriate
7 as an input and the reason that I use the 50
8 percent, I did change the default input from 33 that
9 you see at the top of page 94 to 50 which increases
10 the cost, but the appropriateness of that input can
11 reflect an unaffiliated entity such as what's listed
12 here. It can reflect another use of those
13 facilities other than basic telephone service by the
14 same entity. So it would be appropriate to treat
15 the cost recovery for those facilities in this way.

16 Q. Are you familiar with the Commission's cost
17 allocation rules for small telephone companies?

18 A. This Commission?

19 Q. This Commission.

20 A. I don't think so.

21 Q. Have you checked to see if there are such
22 rules?

1 A. Don't know. Wouldn't affect compliance
2 with -- that's a different set of books and it
3 wouldn't affect compliance with the FCC rules in
4 terms of forward-looking cost calculations.

5 MR. FODOR: That's all I have.

6 JUDGE YODER: Can I -- I want to ask one
7 question just to make sure I understood what you
8 just said.

9 EXAMINATION

10 BY JUDGE YODER:

11 Q. You indicated you are on, I think it is,
12 4.4.24 is the one you asked him about, which
13 indicates a default of .33. Did you indicate you
14 changed that in your run to .50?

15 A. That's correct. The .33 suggests three
16 entities, affiliated or unaffiliated, three
17 different uses among which the costs are going to be
18 shared. And I moved that to 50, so that's two
19 possible uses.

20 Q. And if you recall Mr. Hendricks in your
21 testimony you indicated had it at 1.0?

22 A. That's right, which would suggest that

1 there is no other possible cost recovery of those
2 facilities.

3 JUDGE YODER: Starting to get it, okay.

4 MR. FODOR: You are keeping up, Your Honor.
5 You don't need that assistant. Well, he is gone
6 anyway.

7 JUDGE YODER: Do you have anything, Mr. Murphy?

8 MR. MURPHY: No.

9 MR. FODOR: If I could ask for a point, all the
10 things that have been late-filed, I didn't remember
11 hearing this morning the amended Schedule DJW-11.

12 MR. SCHENKENBERG: We identified that on the
13 record.

14 MR. FODOR: As long as it got in, I am happy.
15 I just wanted to make sure the record had the most
16 updated numbers. Thank you.

17 JUDGE YODER: All right. That should be it for
18 you.

19 (Witness excused.)

20 Anything else, Mr. Schenkenberg?

21 MR. SCHENKENBERG: Nothing further.

22 JUDGE YODER: Mr. Lannon or Ms. Brown, anything

1 on behalf of Staff?

2 MR. LANNON: Yes, Staff would call Dr. Genio
3 Staranczak.

4 (Whereupon there was
5 then had an
6 off-the-record
7 discussion.)

8 (Whereupon the Witness
9 was duly sworn by Judge
10 Yoder.)

11 JUDGE YODER: All right. Mr. Lannon?

12 GENIO STARANCZAK, PhD
13 called as a Witness on behalf of Staff of the
14 Illinois Commerce Commission, having been first duly
15 sworn, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. LANNON:

18 Q. Could you please state your name for the
19 record, spelling your last name.

20 A. Yes, my name is Genio Staranczak. First
21 name is G-E-N-I-O, Genio, Staranczak,
22 S-T-A-R-A-N-C-Z-A-K.

1 Q. And by whom are you employed?

2 A. By the Illinois Commerce Commission.

3 Q. And what is your position with the Illinois
4 Commerce Commission?

5 A. Principal Economist in the
6 Telecommunications Division.

7 Q. And do you have before you a document
8 consisting of a cover page, 17 pages of Q and E, a
9 verification attached to the back which is labeled
10 ICC Staff Exhibit 1.0?

11 A. Yes, I do.

12 Q. And are there any attachments or schedules
13 attached to that?

14 A. No.

15 Q. Was ICC Staff Exhibit 1.0 prepared by you
16 or under your direction?

17 A. Yes, it was.

18 Q. And do you have any changes to make to ICC
19 Staff Exhibit 1.0 today? And I think I would point
20 you to page 6 first.

21 A. Yes. Page 6, line 18.

22 Q. Is that line 118?

1 A. 118, sorry. The sentence that reads, and I
2 will just read the last part, "spent over a year
3 deciding what for SBC," the "for" should be
4 eliminated.

5 Q. And do you have any other changes?

6 A. Yes, I do. On page 13, line 272
7 approximately, it goes something like "they would
8 have filed their own costs study," should be "cost
9 study."

10 Same page, page 13, line 279, the first
11 answer, "No," and it says, "Non-traffic sensitive
12 were driven up," should be "non-traffic sensitive
13 costs were driven up."

14 Page 16, line 335, after the Q there is two
15 points, there should only be one.

16 Q. Okay.

17 A. And this is not in my version. It may be
18 corrected in the version that's filed. In line 352
19 I want to be clear, the Staff is not proposing the
20 preceding default proxy should be adopted by the
21 company. I hope that may be --

22 Q. And that would be the change that we made

1 when we called it the Amended Verified Statement of
2 Dr. Genio Staranczak. We made that, I believe it
3 was, three or four days after the November 23 filing
4 date?

5 A. Yes.

6 Q. Okay. If I were to ask you these same
7 questions today with the edits that you just made to
8 ICC Staff Exhibit 1.0, would your answers be the
9 same?

10 A. Yes, they would.

11 MR. LANNON: Your Honor, I now submit Staff
12 Exhibit 1.0 for admittance into the record and
13 tender the witness, Dr. Staranczak, for cross
14 examination.

15 JUDGE YODER: Any objection to Staff Exhibit
16 1.0 with the interlineations he has testified to
17 being admitted into evidence, Mr. Murphy?

18 MR. MURPHY: No, Your Honor.

19 JUDGE YODER: Mr. Fodor?

20 MR. FODOR: No objection.

21 JUDGE YODER: Mr. Schenkenberg?

22 MR. SCHENKENBERG: No.

1 MR. LANNON: Perhaps I should note that we did
2 file this on e-Docket beforehand.

3 JUDGE YODER: Now, let me clarify. Is it the
4 verified statement that was filed November 23 or you
5 indicated there was an amended verified statement?

6 MR. LANNON: The amended verified statement was
7 filed on November 26 or 27, I believe, offhand.

8 JUDGE YODER: And that's the one you are --

9 MR. LANNON: That's correct. That's the one I
10 am moving into the record, Your Honor.

11 JUDGE YODER: All right. The amended verified
12 statement marked as Staff Exhibit Number 1.0 will be
13 admitted into evidence in this docket.

14 MR. LANNON: Thank you, Your Honor.

15 (Whereupon Staff
16 Exhibit 1.0 was
17 admitted into
18 evidence.)

19 JUDGE YODER: Tender Dr. Staranczak?

20 MR. LANNON: Yes, I do, Your Honor.

21 JUDGE YODER: Mr. Murphy?

22 CROSS EXAMINATION

1 BY MR. MURPHY:

2 Q. Doctor, I would like you first to refer to
3 the supplemental verified statement of Jason
4 Hendricks, if you have that available to you?

5 A. My attorney may.

6 MR. LANNON: Yeah, just a minute.

7 JUDGE YODER: I am sorry, which one?

8 MR. MURPHY: The supplemental which would be
9 Exhibit 2, Petitioners Exhibit 2.

10 A. Yes, I have it.

11 Q. And please turn to page 36?

12 A. Yes.

13 Q. Have you reviewed the question that begins
14 on line 791 and the answer that follows to line 828?

15 A. Yes, I have.

16 Q. Do you understand Mr. Hendricks' point that
17 four of the companies are net recipients from the
18 NECA pool?

19 A. I understand his point.

20 Q. Do you agree that that is the case, that
21 they are net recipients from the NECA pool?

22 A. Yes, they are.

1 Q. Does that impact your position that the
2 appropriate proxy would be the NECA rate without the
3 pool?

4 A. No, my position remains unchanged, the NECA
5 rate without the settled revenues attached.

6 Q. So would the net result of your position be
7 that three of the companies would get a rate equal
8 to what they realize for interstate access and four
9 of the companies would not?

10 A. My position is that the reciprocal comp
11 rates should equal the interstate access rate. I
12 don't think I mentioned anything about settled
13 amounts.

14 Q. But am I right then that based on your
15 proposal three of the companies would realize for
16 the termination of local traffic under these
17 agreements the same amount they realized from their
18 interstate access and four of the companies would
19 not?

20 A. Yes.

21 Q. And it is your position that's a reasonable
22 outcome?

1 A. Yes. The NECA companies -- well, the
2 average cost companies agreed to use NECA rates as
3 their proxy and that's my position. Those are the
4 rates that I propose for reciprocal compensation.
5 The fact that they actually sell more, sell for more
6 revenue than what they charged, to me suggests that
7 perhaps their costs are higher than the average or
8 that could be due to inefficiency and it could be
9 due to the fact that their topography is
10 unfavorable, I don't know.

11 Q. Now, I am actually going to go back to your
12 own testimony. And I would ask you to turn to page
13 6.

14 A. Yes.

15 Q. In the SBC, the 02-0864 case you discuss,
16 how many intervenors were there?

17 A. There was Staff, there was a collection of
18 Intervenors that I would collectively call the CLECs
19 and there was SBC. Basically, that was it for the
20 model.

21 Q. And the CLECs, I assume that's CLEC? You
22 are pronouncing it CLEC?

1 A. Right.

2 Q. And did they intervene as a single entity?

3 A. I believe for the model one they intervened
4 as one entity. There might have been CLECs that
5 filed testimony not related to the model. I just
6 can't recall.

7 Q. And I guess what I am wondering is can you
8 estimate -- well, let's back up a little bit. Your
9 concern about HAI as you have stated it here is that
10 it is not sufficiently vetted or studied?

11 A. Yes.

12 Q. What would it take for the HAI to be
13 sufficiently vetted or studied for a small company?

14 A. Well, for a small company I think you would
15 have to go through a number of state hearings. And
16 during the state hearings there would have to be
17 adjustments in the model. Perhaps after the third
18 or fourth state hearing where they made the third or
19 fourth series of assumptions, then I would have
20 confidence in the model.

21 Just to put it in perspective, the model
22 SBC filed in the UNE case had been vetted in a

1 number of state proceedings. And even after it had
2 been vetted in a number of state proceedings, Staff
3 went through it and found additional errors that had
4 substantial impacts on the rates. So this was a
5 model that SBC had spent considerable time and money
6 to put together. It had been before previous state
7 commissions. They had found errors. SBC had
8 corrected those errors. When they had come to us,
9 we found additional errors and the errors were
10 substantial in terms of their impacts on the rates.

11 Q. And do you know how many states my client
12 McDonough serves in for the telephone cooperative?

13 A. My understanding is McDonough serves in
14 Illinois.

15 Q. Is there some way that McDonough can take
16 this model or any model and have it vetted by two or
17 three states?

18 A. No.

19 Q. Is it a reasonable expectation that in
20 order to get a forward-looking cost McDonough should
21 have to do that?

22 A. No.

1 Q. Do you have any opinion as to the relative
2 expense of McDonough getting any rate vetted to that
3 extent?

4 A. It would be not worth it from a cost
5 benefit point of view for McDonough to undertake
6 that type of study.

7 Q. And in your opinion is that a reasonable
8 outcome with regard to whether McDonough can ever
9 collect its forward-looking rates?

10 A. I think it would be excessively costly for
11 the Commission to require McDonough to estimate its
12 forward-looking rate, for McDonough and for the
13 Commission and for Commission Staff and for the
14 intervenors.

15 Q. And would your answer differ with regard to
16 any of the Petitioners in this case than it does to
17 McDonough?

18 A. No.

19 MR. MURPHY: That's all the questions I have at
20 this point.

21 JUDGE YODER: Mr. Fodor, anything for Dr.
22 Staranczak?

1 MR. FODOR: I love crossing this guy, but Joe
2 hit everything. No questions, Your Honor.

3 JUDGE YODER: Mr. Schenkenberg?

4 MR. SCHENKENBERG: Thank you.

5 CROSS EXAMINATION

6 BY MR. SCHENKENBERG:

7 Q. Doctor, it is nice to meet you.

8 A. It is nice to meet you.

9 Q. Mr. Koch has given testimony that he
10 recommends that the forward-looking per line
11 switching investment, if you were going to use the
12 HAI model, ought to be set at the default of \$400
13 and change. Mr. Hendricks and I, he said 411 and I
14 said 412. I don't remember exactly what the number
15 was. But there was a default input \$416.11, my
16 witness is telling me. You are familiar with
17 Mr. Koch's testimony on that point?

18 A. On this specific point, no.

19 Q. You are aware that he has recommended the
20 default input be used in the HAI model if the HAI
21 model is relied upon?

22 MR. LANNON: Your Honor, I am going to

1 interject an objection here. It goes beyond the
2 scope of this witness's direct testimony.

3 MR. SCHENKENBERG: This witness is recommending
4 switching rates. He is recommending transport
5 rates, and I would like to cross exam him on how
6 those recommendations comport with the other Staff
7 witness's recommendations about what per line
8 switching investments would be.

9 JUDGE YODER: I am going to sustain the
10 objection. It is beyond the scope and Mr. Koch is
11 coming up.

12 BY MR. SCHENKENBERG:

13 Q. Let me ask a difficult question. Do you
14 have an opinion as to what a forward-looking per
15 line switching investment assumption would be for
16 these companies?

17 A. No, I haven't examined that in this
18 proceeding.

19 Q. Okay. That's something you have left for
20 Mr. Koch?

21 A. That's right.

22 Q. Do you know what the per line switching

1 investment assumptions would be if the Commission
2 were to use interstate access rates?

3 A. No, I don't. I assume the FCC looked at
4 that and made its judgment, and so I am relying on
5 the FCC judgment.

6 Q. Would it concern you if relying on
7 interstate access rates resulted in forward -- I'm
8 sorry, resulted in per line switch investment
9 assumptions that were higher than Mr. Koch deemed
10 reasonable?

11 A. No, it would not concern me because I don't
12 have faith in the HAI model. So if I have no faith
13 in the model, it would not particularly concern me.

14 Q. But do you have faith in Mr. Koch's
15 testimony that 416 a line is a good number?

16 A. If he uses the HAI model and if the
17 Commission feels that's the best model to use or
18 rates in this proceeding should be set by the HAI
19 model, then I endorse all of Mr. Koch's assumptions.
20 But I am stepping back from that, and you are
21 asking, well, if this particular investment for line
22 appropriate, I would say the FCC interstate numbers

1 are more appropriate, and that's been consistently
2 my testimony.

3 Q. Could you look at JPH-17 that has been
4 attached to Mr. Hendricks' reply testimony? Do you
5 have that?

6 MR. LANNON: I don't.

7 A. Yes, I have it in front of me.

8 Q. Again, have you had an opportunity to look
9 at this document that was filed on Friday?

10 A. I did look at these numbers, yes.

11 Q. In recommending the use of interstate
12 access rates would your understanding be that
13 interstate access rates are set based on actual
14 switch investments?

15 A. Yes.

16 Q. So that the number here under actual for
17 Grafton of \$819,925 would be the number that would
18 be built into the access rate?

19 A. The existing FCC access rate, yes.

20 Q. Now, if you look over to HAI defaults there
21 is a number of 286,000. This is the amount, is it
22 not, that Mr. Koch believes is the appropriate

1 forward-looking switch investment to use in a model
2 that determines forward-looking costs?

3 A. If you want to use a flawed model, I think
4 Mr. Koch made it quite clear. If you want to use a
5 flawed model that produces unreliable results, yes,
6 you would use this number.

7 Q. I am just trying to make sure I understand.
8 Your recommendation would result in an assumption of
9 switch investments that are more than twice --

10 A. An assumption, that's the actual number, as
11 I understand it. It is not an assumption.

12 Q. An assumption of forward-looking switch
13 investments of more than twice the number of what
14 Mr. Koch is recommending as a reasonable number to
15 use?

16 A. Yes, but you keep on saying Mr. Koch is
17 recommending that. He is recommending that if the
18 Commission deems this model appropriate for setting
19 rates on a forward-looking basis. I think Mr. Koch
20 and I have both said this model is inappropriate.
21 So you are asking me if you are going to use this
22 inappropriate model that no one has any confidence

1 in, would this be the number you would choose. Yes.

2 Q. But wouldn't every model use a per line
3 switch investment?

4 A. Yes. And the question is, is that a good
5 number or is that an inappropriate number. And
6 based on my experience, I don't believe these
7 numbers are appropriate.

8 Q. Which numbers?

9 A. The HAI numbers, the default or the ones
10 that have been estimated by the other parties.

11 Q. Okay, thank you. Just to make sure I am
12 clear, you are not presenting testimony on behalf of
13 Staff as to what the right number is if we are going
14 to use the HAI model?

15 A. No. If you are going to use the HAI model,
16 then I endorse all of Mr. Koch's assumptions. I
17 think his are the most reasonable compromise between
18 the parties. If you are going it use the HAI model,
19 I fully endorse his work.

20 MR. SCHENKENBERG: Nothing further, thank you.

21 JUDGE YODER: Anything, Mr. Lannon?

22 MR. LANNON: No, I don't have any redirect.

1 JUDGE YODER: Anything based on what
2 Mr. Schenkenberg asked?

3 MR. MURPHY: Not for me.

4 MR. FODOR: None from me.

5 JUDGE YODER: Okay, you may step down, Dr.
6 Staranczak. Thank you.

7 (Witness excused.)

8 MR. FODOR: I am so sorry we didn't entertain
9 you longer.

10 MR. LANNON: I am going to hand out a second
11 revised schedule for Mr. Koch. Your Honor, I just
12 passed this out. It is a schedule to Mr. Koch's
13 testimony that was recently revised.

14 JUDGE YODER: Okay. We had then original, then
15 the revised, now the re-revised.

16 MR. LANNON: Correct.

17 JUDGE YODER: Okay, second revised.

18 MR. KOCH: And unfortunately I do not have my
19 original.

20 MR. LANNON: Maybe I handed out too many.

21 JUDGE YODER: Raise your right hand, Mr. Koch.

22 (Whereupon the Witness

1 was duly sworn by Judge
2 Yoder.)

3 JUDGE YODER: Please proceed.
4
5
6
7
8

9 ROBERT F. KOCH

10 called as a Witness on behalf of Staff of the
11 Illinois Commerce Commission, having been first duly
12 sworn, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BOROVIK:

15 Q. Your Honor -- or, Mr. Koch, would you
16 please state your name for the record, spelling your
17 last name.

18 A. It is Robert F. Koch, K-O-C-H.

19 Q. And by whom are you employed?

20 A. The Illinois Commerce Commission.

21 Q. And, Mr. Koch, what is your position with
22 the Illinois Commerce Commission?

1 A. I am a Rates Analyst with the
2 Telecommunications Division of the Illinois Commerce
3 Commission.

4 Q. And, Mr. Koch, you have before you a
5 document consisting of a cover page and 28 pages of
6 question and answers, is that correct?

7 A. That is correct.

8 Q. This document is labeled as Staff Exhibit
9 2.0, is that correct?

10 A. Yes, it is.

11 Q. Were these documents prepared by you or
12 under your direction?

13 A. Yes, they were.

14 Q. And are there any changes you would like to
15 make to this document?

16 A. I do have a few minor corrections. The
17 first one is on page 17, line 381, and I guess the
18 sentence starts on line 380. "In the following
19 discussion I will number the Petitioners' proposed
20 changes as Input 1 through 12, the three additional
21 proposals by Verizon"... I want to eliminate the
22 word "three" so that it reads "the additional

1 proposals by Verizon."

2 Then on page 18, line 382 --

3 JUDGE YODER: If you could stop just for a
4 second, because yours looks the same as mine.
5 That's why I am trying to figure out if --

6 MR. FODOR: Mr. Koch is probably working off a
7 Word version whereas the rest of us are working off
8 of PDF.

9 MR. KOCH: So the line numbers are not --

10 JUDGE YODER: No, the line numbers are matching
11 up but the page numbers aren't.

12 MR. FODOR: Actually, the lines are slightly
13 off as well.

14 JUDGE YODER: Yeah, I guess mine, 381 was in
15 the following discussion.

16 MR. LANNON: Your Honor, could we go off the
17 record?

18 JUDGE YODER: Yeah, I am sorry.

19 (Whereupon there was
20 then had an
21 off-the-record
22 discussion.)

1 JUDGE YODER: We can go back on the record.

2 MR. KOCH: My apologies. I will work off of
3 Mr. Murphy's copy which was printed from e-Docket on
4 PDF.

5 The first correction is page 18, line 382,
6 the word "three" is deleted, so that the line reads,
7 changes as -- "input changes 1 through 12, the
8 additional proposals by Verizon."

9 Then still on page 18, on line 383, the
10 number 15 as numbered should be 14.

11 And also on page 18, line 384, should read
12 "changes 15 through 17." So 16 through 18 should be
13 deleted and 15 through 17 should be replacing it. I
14 believe that covers the entire set of corrections as
15 they stand.

16 BY MR. BOROVIK:

17 Q. Mr. Koch, if you were asked -- if I were to
18 ask you these same questions as revised today, would
19 your answers be the same?

20 A. Yes, they would.

21 MR. BOROVIK: Staff now submits Staff Exhibit
22 2.0 for admittance into the record.

1 JUDGE YODER: Any objection to the -- let me
2 ask, I had two typos, not of any substance. On line
3 453, the word Petitioners, strike the first P or one
4 of the two Ps?

5 MR. KOCH: I would be more than willing to do
6 that. I thank you for the catch.

7 JUDGE YODER: And down under Section 11 should
8 it read, "My response to the proposal is put forth"
9 instead of "put forth"?

10 MR. KOCH: We could do that. Change the "B" to
11 a "P". I will accept that change.

12 JUDGE YODER: Any objection to -- you are going
13 to do the second revised next?

14 MR. BOROVIK: Yes, Your Honor.

15 JUDGE YODER: Any objection to Exhibit 2.0, the
16 testimony of Robert Koch as verbally amended, into
17 the record? Mr. Murphy?

18 MR. MURPHY: No objection.

19 JUDGE YODER: Mr. Fodor?

20 MR. FODOR: No objection.

21 MR. SCHENKENBERG: May I just ask, are there
22 any changes on the revised schedule that track back

1 to the written testimony so that the numbers need to
2 be changed in the testimony?

3 MR. KOCH: I don't believe that they do, sir,
4 but just real quickly I believe I just refer
5 generally to the statements.

6 MR. SCHENKENBERG: And I have no objection. I
7 just wanted to make sure if there was a cross
8 reference back, we caught it.

9 JUDGE YODER: Subject to cross referencing,
10 that and the soon-to-be-admitted other schedule,
11 Staff Exhibit 2.0 will be admitted into evidence in
12 this docket.

13 (Whereupon Staff
14 Exhibit 2.0 was
15 admitted into
16 evidence.)

17 JUDGE YODER: Anything else to present,
18 Mr. Borovik?

19 BY MR. BOROVIK: Yes.

20 Q. Mr. Koch, are there any schedules attached
21 to this?

22 A. Yes. I also have Schedule 1 to Staff

1 Exhibit 2.0 which at this point is in its second
2 revised version and that is a one-page document that
3 includes HAI results for the seven companies that
4 are here.

5 Q. These documents were prepared by you or
6 under your direction?

7 A. Yes, they were.

8 MR. BOROVIK: Staff now submits Second Revised
9 Schedule 1 to Staff Exhibit 2.0 for admittance into
10 the record.

11 JUDGE YODER: I will get one marked here. Off
12 the record for a second.

13 (Whereupon Staff
14 Exhibit 2.0 Schedule 1
15 was marked for purposes
16 of identification as of
17 this date.)

18 JUDGE YODER: Okay. I am not sure where you
19 left off. I think you moved for admission.

20 MR. BOROVIK: Yes, Your Honor, we would like to
21 tender the witness, Mr. Koch, for cross examination.

22 JUDGE YODER: Any objection to the Revised

1 Schedule 1? Oh, I am looking at the wrong one,
2 Second Revised.

3 MR. FODOR: No objection to the second revised.

4 JUDGE YODER: Mr. Schenkenberg?

5 MR. SCHENKENBERG: No objection.

6 JUDGE YODER: The Second Revised Exhibit 1 to
7 Staff Exhibit 2.0 will be admitted into evidence.

8 (Whereupon Staff
9 Exhibit 2.0 Second
10 Revised Schedule 1 was
11 admitted into
12 evidence.)

13 JUDGE YODER: Mr. Murphy, would you like to
14 proceed, please?

15 CROSS EXAMINATION

16 BY MR. MURPHY:

17 Q. Mr. Koch, please turn to page 14 of your
18 testimony, at least what I have is 14. And I am
19 referring to the testimony that starts at line 299
20 with the words "I am generally" and continues
21 through line 306 ending with the words "costs in the
22 Petitioners' reciprocal compensation rate proposal,"

1 and I just ask you to review that so you are
2 familiar with that statement.

3 Were you in the room earlier when I was
4 talking to Mr. Wood about the number of default
5 elements, default rates in the HAI Version 5.0A?

6 A. Yes.

7 Q. And to your understanding approximately how
8 many default values or what magnitude of default
9 values are there that can be changed?

10 A. I believe that -- I think he listed roughly
11 300 some, I believe if I understood him correctly,
12 that could be user adjusted if you don't count the
13 -- and I am struggling with the word. There are
14 various, a multitude of other changes that can be
15 made in that pre-process but there are roughly 300
16 some that can be changed then.

17 Q. And if you count the ones in the
18 pre-process or however you term that, are there
19 hundreds, are there thousands, are there millions,
20 what are there?

21 A. I don't believe he quoted a number and I
22 couldn't tell you.

1 Q. Okay. Have you ever run the HAI for a Tier
2 1 company?

3 A. I have experimented with, not in a
4 testimony proceeding, but yes, I have. I have ran
5 it for SBC and Verizon as, if you would, sanity
6 checks for my own edification.

7 Q. You make a statement in your testimony here
8 that says in the absence of evidence that suggests
9 that a particular input is inappropriate, the
10 default value of the model should generally be
11 accepted. Do you see that?

12 A. Yes, I do.

13 Q. That's your testimony?

14 A. Yes, it is.

15 Q. Are you aware of any input value that has
16 been identified in this proceeding but has not been
17 discussed, even if we haven't reached a resolution?

18 A. An input value that has been --

19 Q. Has anybody identified an input value that
20 has not been discussed in the testimony?

21 MR. LANNON: I am a little unclear about the
22 question.

1 MR. MURPHY: Let me try to rephrase it.

2 JUDGE YODER: Yeah.

3 MR. LANNON: How would it be identified?

4 MR. MURPHY: Well, in your testimony --

5 JUDGE YODER: Are you referring to inputs that
6 affect reciprocal comp rates or --

7 BY MR. MURPHY: Well, let me see if I can get
8 at this a little bit differently.

9 Q. You ultimately numbered the inputs for
10 discussion as 1 through 17?

11 A. Correct.

12 Q. Other than those 17 input changes, are you
13 aware of anybody having identified something, an
14 input, that ought to be changed but hasn't?

15 A. Yes.

16 Q. What are those?

17 A. And I would be referring to Mr. Wood's
18 testimony where minutes of use, he had concern with
19 them but wasn't certain how to make modifications or
20 didn't have information available to make
21 modifications. In fact, I do address that in my
22 testimony.

1 Q. And other than that, are there any other
2 input changes that have been raised but not
3 discussed?

4 A. I am trying to think. I can't recall.

5 MR. MURPHY: Okay. I don't think I have any
6 further questions.

7 JUDGE YODER: Mr. Fodor, do you have anything
8 for Mr. Koch?

9 MR. FODOR: No questions.

10 JUDGE YODER: Mr. Schenkenberg?

11 MR. SCHENKENBERG: The witness looks like he
12 wanted to say something. Are you?

13 MR. KOCH: Oh, I was just going to let him know
14 I have been to Metamora.

15 CROSS EXAMINATION

16 BY MR. SCHENKENBERG:

17 Q. I'll take it up. Mr. Koch, have you been
18 to Metamora, Illinois?

19 A. This is correct.

20 Q. Mr. Koch, I just have a couple of
21 questions. And, first, let's start with where you
22 ended which is the minutes of use issue. Did you

1 look at the minutes of use question? You didn't
2 deal with that in your testimony, but do you believe
3 the minutes of use ought to be updated if this were
4 going to be run?

5 A. Well, if I could, if there were -- if it
6 were presented by a party that there were
7 appropriate, more up-to-date minutes of use
8 available, I would say yes, that they should be
9 changed in the model.

10 Q. Okay. Would you expect a significantly
11 higher number of minutes of use to reduce per minute
12 cost for transport?

13 A. If it were found that a higher minutes of
14 use were used?

15 Q. Yes.

16 A. I would believe so, yes.

17 Q. You were in the room earlier when Mr. Wood
18 was providing some testimony about how the model
19 deals with LaHarpe?

20 A. Yes, I was.

21 Q. Is that correct? And I think he testified
22 that he would consider LaHarpe an outlier because of

1 the way in which the model builds facilities for the
2 area of a company that has a single post and a
3 single remote. Do you understand -- do you agree
4 with Mr. Wood about what the model is doing as it
5 builds facilities, transport facilities for LaHarpe?

6 A. As I was busy taking notes, I would have to
7 say it sounded reasonable as I was writing it.
8 Without any other -- I guess, I haven't reflected
9 upon it long enough to say whether it is reasonable
10 or not. I would feel uncomfortable at this point.

11 Q. Okay. If the model were building an OC3 to
12 connect a LaHarpe host and a LaHarpe remote to serve
13 100 customers, would that be more facility than is
14 necessary for that purpose in your opinion?

15 A. Well, I would like to first indicate that I
16 am not an engineer but that --

17 MR. LANNON: Your Honor, I think I am going to
18 interject the same objection I did before, that this
19 goes beyond the scope of this witness's testimony.

20 JUDGE YODER: Well, I think if he can answer
21 it, I will let him answer. If he can't answer it,
22 then he can't answer.

1 MR. KOCH: Well, as I was saying, I am not an
2 engineer. However, building an OC3 which I am
3 assuming -- well, actually to be honest the best way
4 to answer it is although I understand that there may
5 be a smaller size cabling, a DS1 or DS3, that may be
6 more suitable, I am not certain if engineering
7 guidelines or what have you might require an OC3
8 versus a DS1 or a DS3 to at this point testify that
9 the OC3 is in fact excessive.

10
11 BY MR. SCHENKENBERG:

12 Q. If it is a function of the model not
13 working right and the model building facilities that
14 are greater than should be built if the model were
15 working right in this scenario, would it be
16 reasonable to consider LaHarpe as an outlier?

17 A. I would certainly say that I would give any
18 such argument serious consideration, yes.

19 MR. SCHENKENBERG: I have no further questions.

20 JUDGE YODER: Mr. Lannon, any other questions?
21 Or I am sorry, Mr. Borovik, you are handling Mr.
22 Koch.

1 MR. BOROVNIK: Thank you. No, Your Honor.

2 JUDGE YODER: Anything based on Mr.

3 Schenkenberg's?

4 MR. FODOR: It did raise one that I thought I
5 might ask about if I may consult with my expert for
6 just a moment.

7 (Pause.)

8 MR. FODOR: Sorry. I tried but they won't let
9 me do it.

10 JUDGE YODER: Mr. Murphy?

11 MR. MURPHY: No, Your Honor.

12 JUDGE YODER: Mr. Koch, you may go wherever you
13 want, I suppose.

14 (Witness excused.)

15 Anything else on behalf of Staff?

16 MR. LANNON: Staff has nothing else, Your
17 Honor.

18 JUDGE YODER: I think we are done with the
19 testimony for today? All right.

20 Okay. Let's go off the record for a
21 minute.

22 (Whereupon there was

1 then had an
2 off-the-record
3 discussion.)

4 JUDGE YODER: All right. I am going to have
5 the record marked heard and taken. The parties will
6 file their post-hearing briefs on or before, we will
7 move that back from an earlier date, we will move
8 that to December 20. The parties submit proposed
9 orders to December 23, a date of December 23. And I
10 should make clear the parties only need to summarize
11 their own positions on an issue. They need not
12 worry about each of the other parties'.

13 I will endeavor to have a proposed order
14 out to the parties on December 30. That should be
15 Friday and I will be here working that day. Briefs
16 on exceptions will then be due January 6, '06.
17 Reply briefs on exceptions due January 13.

18 Let me go off the record.

19 (Whereupon there was
20 then had an
21 off-the-record
22 discussion.)

1 JUDGE YODER: All right. We can go back.
2 Reply briefs on exception January 13 of '06 and then
3 the Commission deadline -- well, we will worry about
4 that -- I think it is either January 29 or February
5 2.

6 All right. Anything else before we end
7 today's festivities?

8 MR. LANNON: Nothing from Staff, Your Honor.

9 HEARD AND TAKEN

10
11
12
13
14
15
16
17
18
19
20
21
22